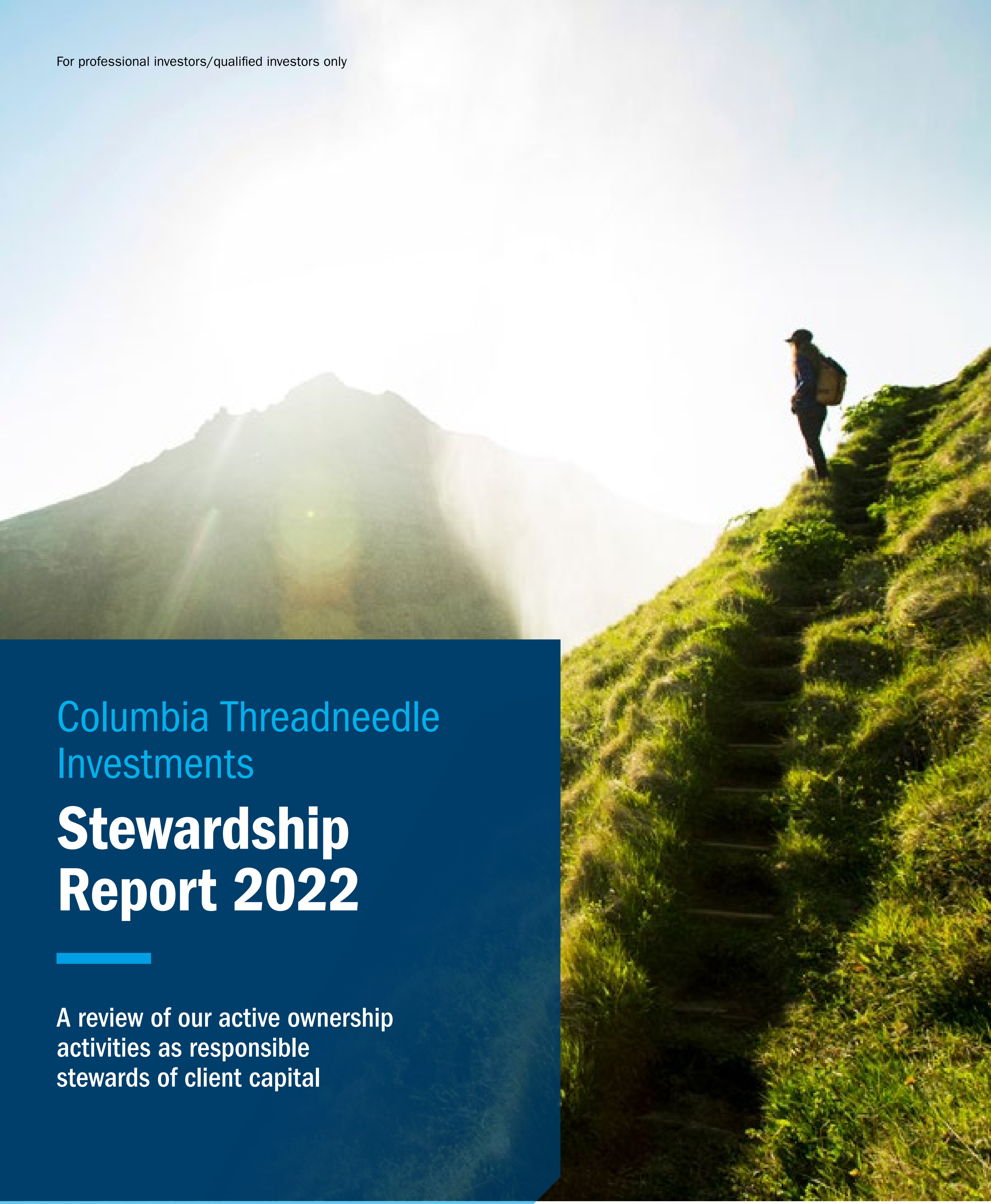
For professional investors/qualified investors only

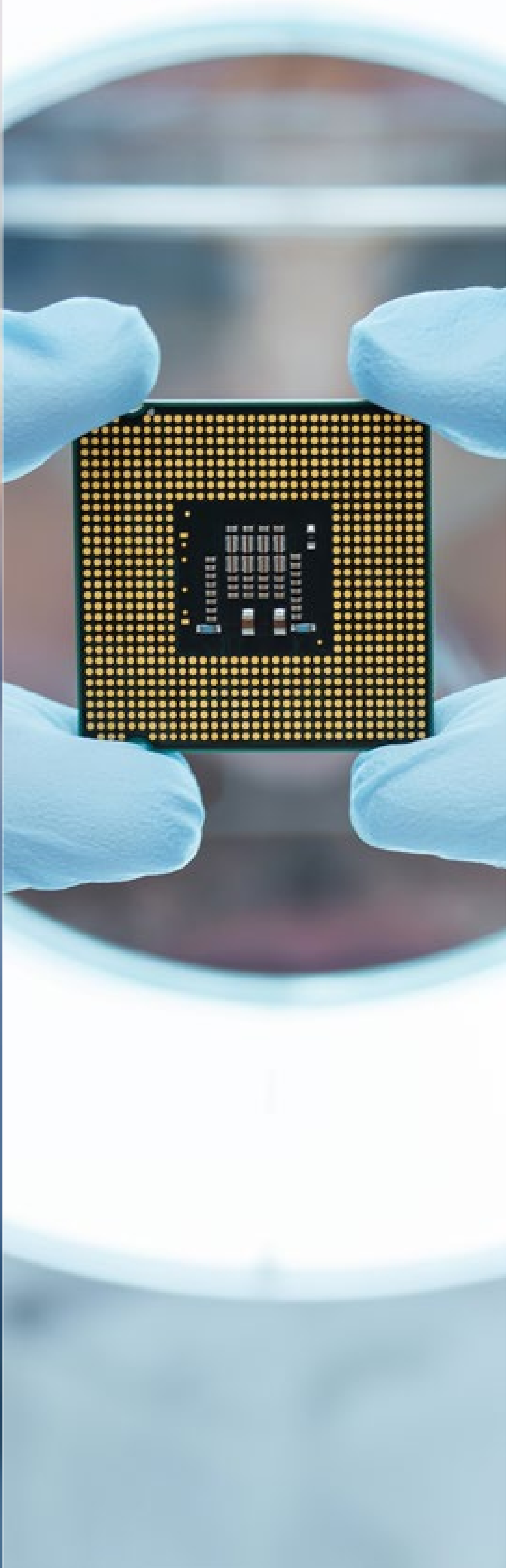


Columbia Threadneedle Investments

Stewardship Report 2022

A review of our active ownership activities as responsible stewards of client capital

Contents



Foreword

Welcome to our 2022 Stewardship Report, which aims to demonstrate Columbia Threadneedle Investments' commitment to the UK Stewardship Code, Taiwan Stewardship Code and Japan Stewardship Code. Specifically, we describe how we have approached and carried out our duty as responsible stewards of client capital during a year that has seen much market volatility and geopolitical risk.

China's lockdown throughout most of 2022 continued to put global supply chains under pressure. The Russian invasion of Ukraine had devastating consequences for the people of Ukraine and disrupted global oil, natural gas and grain markets. Inflation around the world soared to levels not seen since the 1970s. Meanwhile, extreme weather events challenged societies – droughts in Africa, heat waves, droughts and wildfires in Europe and floods in Pakistan. These and other Environmental, Social and Governance (ESG) issues such as biodiversity loss, human rights abuses and weak labour standards can impact the investments we make on behalf of our clients, so we closely analyse, monitor and engage on them.

For our company, 2022 has been a year of advancement with the integration of the business formerly known as BMO GAM (EMEA). The acquisition enabled us to combine complementary strengths to create a responsible investment capability based on creating value through research intensity, driving real-world change through active ownership to contribute to sustainable long-term value creation aligned with our clients' expectations, and partnering with clients to deliver innovative responsible investment solutions.

Examples include the consolidation of responsible investment (RI) leadership into one global role, with Claudia Wearmouth as our Global Head of Responsible Investment, as well as the appointment of a Head of Responsible Investment Implementation to support our strategic ambition to further enhance our responsible investment capability across the firm. Overall, more than 40 RI analysts work to support our clients, investment professionals and our wider business through their expertise in ESG thematic research, ESG integration, ESG policy, client reporting and thought leadership. Twenty of these analysts focus on engagement and voting, a key strength of our responsible investment offering.

2022 also saw us undertake extensive work on the integration of our engagement and voting activities, resulting in a single, harmonised, global active ownership approach – including an integrated proxy voting policy. While this report covers the 2022 reporting period, and therefore outlines separate engagement and voting activity during the year, the launch of our global active ownership approach in January 2023 means that we now have the option to vote with 'one voice' on behalf of our entire asset base[1], as well as the assets under engagement on behalf of our ***reo***®[2] clients, worldwide.

We are committed to continue to invest in our ability to serve evolving stakeholder expectations in our role as responsible stewards of capital. We hope you enjoy reading the insights from our first, combined Stewardship Report.

Nick Ring,
CEO of Columbia Threadneedle Investments, EMEA

A note on the structure of our report

This report covers the reporting period 01/01/2022 – 31/12/2022 and describes the stewardship practices of Columbia Threadneedle Investments (Columbia Threadneedle) globally. Throughout the report, we reference Columbia Threadneedle Management Limited (CTML), which formerly traded as BMO Asset Management Limited and was acquired by our parent company, Ameriprise Financial, Inc., in November 2021. The integration of our European businesses is currently ongoing, and during 2022 certain governance arrangements and active ownership approaches and activities remained separate. Where possible, we have reported on where the integration of policies, processes and approaches are complete. Elsewhere, we have been clear about which policies, processes, activities and outcomes remained separate between CTML and Threadneedle Asset Management Limited (TAML), which is based in the UK, and where applicable Columbia Management Investment Advisers, LLC (CMIA), which is based in the US. We have included relevant details of the integration work to resolve this.

Not all products or services are available in all jurisdictions or through all firms. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. Not all services, products or strategies are offered by all entities of the group.

[1] Portfolio managers have the option to appeal global vote recommendations in line with their strategies' investment profile, escalating their stance to the Proxy Working Group.

[2] ***reo***® is a pooled service that allows investors to receive engagement, and proxy voting where selected, on equity and corporate bond holdings, independent from portfolio management services received either from third party asset managers or Columbia Threadneedle Investments.

CHAPTER 1

Investing responsibly at Columbia Threadneedle Investments

Columbia Threadneedle is the global asset management company of Ameriprise Financial, offering a broad range of actively managed investment strategies and solutions for individual, institutional and corporate clients around the world, who together entrust us with £486bn in assets under management[3].

Our long-established expertise in core asset classes and real estate has been complemented by the acquisition of the business formerly trading as "BMO GAM (EMEA)" in November 2021, bringing new liability-driven investing and fiduciary management capabilities, an expanded offering in alternative and traditional asset classes, and enhanced responsible investment (RI) expertise. Here, the acquisition enabled us to combine complementary strengths to create an RI capability based on creating value through research intensity, driving real-world change through active ownership to contribute to sustainable long-term value creation, aligned with our clients' expectations, and partnering with clients to deliver innovative RI solutions.

Our purpose and investment beliefs

Our overarching purpose is to deliver smarter investment opportunities for our clients in order to meet their investment objectives. Hereby four cornerstones underpin our investment beliefs, which we believe enable us to act as responsible stewards of our clients' assets:

- **Globally connected:** Our reach is expansive, with 2,700 people – including more than 650 investment professionals – spanning the world. But for us, a global perspective is about more than numbers; it is about the smarter advantage we create when we bring our teams' insights together. We've built our diverse expertise and on-the-ground knowledge into our investment processes and solutions, covering almost every asset class and market.
- **Intense research:** We share a belief that original, independent research makes investment decisions smarter. We have over 200 research associates around the globe, and proprietary tools harnessing big data

[3] Source: Columbia Threadneedle Investments, as at 31 December 2022. This AUM includes Pyrford International Limited, who submit their own separate UK Stewardship Code report to the Financial Reporting Council. This report does not cover their approach, activity and outcomes in relation to stewardship.

We define active ownership as our engagement and voting activities to enhance research insights, drive change and create future value for our clients.

We define engagement as having constructive dialogue with issuers on ESG risks that could have a material negative impact on their businesses and, where necessary, encouraging improvement in ESG management practices.

Our primary driver for engagement is to support long-term investment returns by mitigating risk, capitalising on opportunities linked to ESG factors, and reducing any material negative impact that our investment decisions could have on these factors.

and next generation analytics. This allows us to turn information into forward-looking insights that can add real value to our investment decisions, enhancing our ability to help deliver good outcomes for our clients.

- **Responsible ethos:** We think our RI capabilities can help clients, if they wish, contribute through their investments to shaping the future world they seek. This continually pushes us forward in how we seek to operate as a business and to develop our in-depth RI research capability as support for investment decision-making and portfolio construction. As a responsible investor, partner and citizen we're building RI capabilities that can help our clients achieve their financial goals while seeking to shape the world they want to live in.
- **Continuous improvement:** Markets don't stand still and neither do we. Every day, we're looking for opportunities to improve how we invest and what our clients experience – be it the independent oversight teams that ensure the robustness of our investment processes, the emphasis we place on developing our talent, or the innovative solutions that we offer. The world is continually changing, and with it our clients' needs, which is why we are always evolving.

Our culture and values

We are proud of our culture at Columbia Threadneedle – it is a key driver of our success and one of the features that defines us. Maintaining our culture is critical to our ability to deliver for our clients and provide them with a level of investment outcome and service that meets their expectations. We are committed to ensuring our clients are at the heart of everything we do, as reflected in our values:

Client focus
We think strategically and creatively to drive innovation to best serve our clients and other stakeholders.

Excellence
We operate at the highest standards to deliver excellent results and manage risk for our stakeholders and the company.

Respect
We are ethical, principled, respectful, collaborative, and inclusive. We support our communities.

Integrity
We actively identify opportunities to improve and are accountable for earning and keeping our stakeholders' trust.

As part of being a values-led organisation that attracts, develops and retains the best talent, we foster a culture in which all employees feel safe, included, valued, and respected. We embrace the unique contributions of everyone at Columbia Threadneedle and empower employees to deliver value for our diverse clients and community.

As a responsible investor, partner and citizen we can help our clients achieve their financial goals while seeking to shape the world they want to live in

Our active ownership activities are shaped by these core values, to which we expect to be held accountable and which guide our focus and understanding of the organisations we invest in. We view our engagement and voting activities as the most effective way to influence a company's governance, management, board, and strategy and an important driver of improvement that can contribute to sustainable long-term value creation.

We are committed to ensuring our clients are at the heart of everything we do

Our responsible investment approach

HOLISTIC DECISION-MAKING:

- Available Environmental, Social and Governance (ESG) analytics and tools
- ESG thematic research
- ESG integrated, to varying degrees, throughout the investment process*

INTENTIONAL ENGAGEMENTS:

- Active engagement reinforced by robust voting
- Enriching understanding of issuers, risk management and value creation

ACTING WITH PURPOSE:

Climate Action 100+

ADVOCATING BEST PRACTICE:

- Contribute to industry standards
- Help shape policies
- Share knowledge

* Although RI research is made available to all portfolio managers, each portfolio management team within our firm makes its own investment decisions and certain teams may place more, less or no emphasis on ESG factors in any given investment decision. Please note that not all products or services may be available in all jurisdictions.

Responsible investment in 2022

During 2022, as we worked to integrate our European-based asset management businesses, we ensured that RI remained core to our purpose, investment beliefs, culture and values. In doing so, we made meaningful advances in our ability to serve evolving stakeholder expectations of our role as a responsible steward of capital. The following integration milestones during 2022 highlight our efforts to achieve this, we:

- Consolidated leadership for RI in one global role, with Claudia Wearmouth as our Global Head of Responsible Investment, and significantly increased the headcount within her team to support our strategic focus on RI. We also appointed Femida Danga to the newly created role of Head of Responsible Investment Implementation.
- Undertook extensive work to develop and launch a single, harmonised global proxy voting process, policy and engagement approach across all the regions in which we operate, which went live in January 2023. The harmonised approaches provide a framework to vote, where appropriate, with 'one voice' on behalf of Columbia Threadneedle's managed asset clients worldwide, as well as the assets under engagement on behalf of ***reo***® clients. This provides potentially more voting power with bigger potential impact, which we believe is in the best economic and stewardship interests of our clients. At the same time, the framework is structured so as to permit exceptions driven by regional and/or client portfolio interests (consistent with client direction or expectations).
- Built frameworks to help us fulfil European regulatory requirements relating to:
  - Principle adverse impacts of our investment decisions on sustainability factors
  - The assessment of investee companies in relation to good governance practices
  - The definition of sustainable investments.
- Agreed methodologies for net zero implementation in key asset classes, and as part of our first Net Zero Asset Managers (NZAM) disclosure approved for several of our pooled funds and segregated mandates to apply these in line with reaching net zero carbon emissions by 2050.
- As part of the ongoing integration in Europe, we ensured continuation of participation in compatible industry groups and corporate commitments made by legacy entities.
- Worked on developing our global ESG product framework and product offering and aligned product exclusion frameworks across the firm in line with ESG industry and regulatory standards.
- Delivered many RI training sessions to our investment, distribution, and control function teams, as noted In Chapter 7.

During 2022 we made meaningful advances in our ability to serve evolving stakeholder expectations

CHAPTER 2

ESG Integration

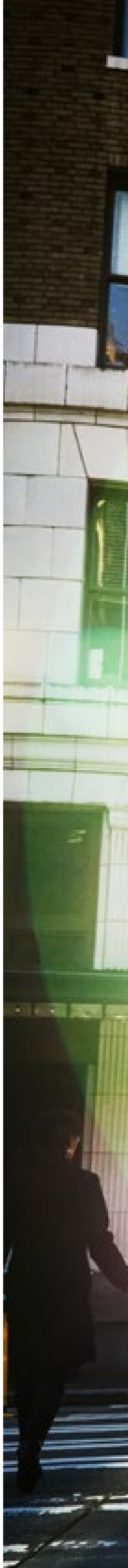
At Columbia Threadneedle we strive to be responsible stewards of our clients' assets. We are committed to achieving appropriate integration of RI throughout each of the asset classes we invest in and strategies we run, underpinned by our investment approach:

Globally connected | **Intense research** | **Responsible ethos** | **Continuous improvement**

The extent of RI integration will vary for each asset class and strategy, according to specific fund objectives or client mandate-specific parameters.

Research: ESG considerations are part of fundamental research and, as such, are evaluated and documented in proprietary investment research. Analysts are dedicated to performing in-depth research and monitoring on key catalysts and risks for the sectors and issuers for which they are responsible. In addition to traditional financial analysis, they also consider ESG risks (such as standards of ESG practice, climate exposures, or operational controversies) and opportunities (potential drivers of growth and competitive advantages) to build a fuller picture of risk and future returns and contribute to the overall view and conviction formed on a company. They create actionable insights, framing the investment case for the issuers they cover in terms of risks and opportunities.

Investment process: ESG considerations are evaluated, alongside other relevant factors, when making investment decisions. Portfolio managers are ultimately responsible for considering all relevant factors that can enhance their portfolios and the ongoing management of their holdings. They are supported by the research and tools outlined in this Chapter. Any mandate-specific ESG parameters (for example any exclusions and tilts, or net zero portfolio commitments) are factored into the portfolio's buy/sell discipline.



Risk management: Columbia Threadneedle requires that all relevant risks, including ESG related risks, should be carefully considered and evaluated when making an investment decision. The oversight of ESG within the investment process and, where appropriate, the ESG characteristics within a portfolio are monitored through our standard investment governance framework: line management, investment consultancy and oversight, investment risk and audit. We conduct independent monitoring and active management of ESG risks. We also consider existing and emerging regulatory requirements through dedicated policy-focused specialists, as well as participation in industry groups, as appropriate. We conduct independent monitoring and active management of ESG risks for listed assets and will develop this across further asset classes.

Active ownership: Active ownership, in the form of engagement with issuers and proxy voting, is applied across investment portfolios. Active ownership is integrated into research, investment processes and risk management and is supported by a team of active ownership analysts.

To support integration of ESG considerations into the processes outlined above, our RI professionals and fundamental research analysts contribute in two main areas: ESG research and ESG integration tools. This is underpinned by active ownership: we believe that continuous monitoring, targeted engagements and strategic voting at companies enhances research insights, drives change and helps create future value.

ESG considerations are part of fundamental research

1 ESG research

ESG is part of our fundamental research and owned by investment teams and our central fundamental research team, also leveraging the insights from our RI team.

Fundamental research analysts conduct research and analysis, including the consideration of ESG issues. We also have dedicated RI thematic analysts who produce research on three overarching sustainability themes: climate transition, energy transition, and food and materials transition. They collaborate with portfolio managers and fundamental analysts to highlight risks and opportunities within industries and sectors, and pinpoint companies to engage with on the risks and opportunities we have identified linked to that particular RI theme.

Our active ownership analysts also identify and assess key sustainability trends to provide insights into related sector and company implications. This research and analysis is disseminated globally across the firm as part of our culture of idea sharing, and helps us to identify potential issues at an early stage. Often this collaborative research approach extends to a joint effort between portfolio managers, fundamental research, thematic research and active ownership teams to engage a company for additional insight and encourage them to improve performance and move towards best practice in the management of ESG issues. These meetings are logged into a global calendar to alert all interested investment professionals, promoting efficient and effective exchanges of information.

2 ESG integration tools

Tools, resources, and training needed to monitor ESG risks and opportunities within portfolios are made available as standard across investment desks, except where there may be data limitations, such as in alternative asset classes.

During 2022, we worked to bring together ESG integration tools from TAML and CTML to support portfolio managers and analysts in their ESG integration efforts. By the end of the year, the tools were available across our firm to varying degrees, and this work continues into 2023.

ESG Materiality ratings
Use the SASB framework to identify the most material ESG risks for 77 different industries. The resulting proprietary, internal score from 1-5 gives insight into how effectively a company is managing its most material ESG risks versus its industry peers.

SDG mapping tool
Leverages Factset RBICS Revenue data, which covers 45,000 companies, to map companies' revenue streams positively, negatively and neutrally to the SDG targets.

Controversy rating
Proprietary framework using the UN Global Compact Principles to assess companies against potential breaches of international standards; can help prioritise engagement.

Carbon analytics
Give a full picture of carbon efficiency of issuers, stock and portfolio level emissions.

Active ownership data and outcomes
Enables investment teams to contextualise ESG data and consider ESG risks and opportunities in the context of the responsiveness of management teams to stakeholders, including investors.

Net zero framework
Framework to assess individual issuers net zero alignment, and overall fund progress towards net zero scenario.

ESG thematics
Reports and round table discussions on investment-relevant ESG themes that provide important context for stock-level analysis, enabling a fuller assessment of ESG risks and opportunities.

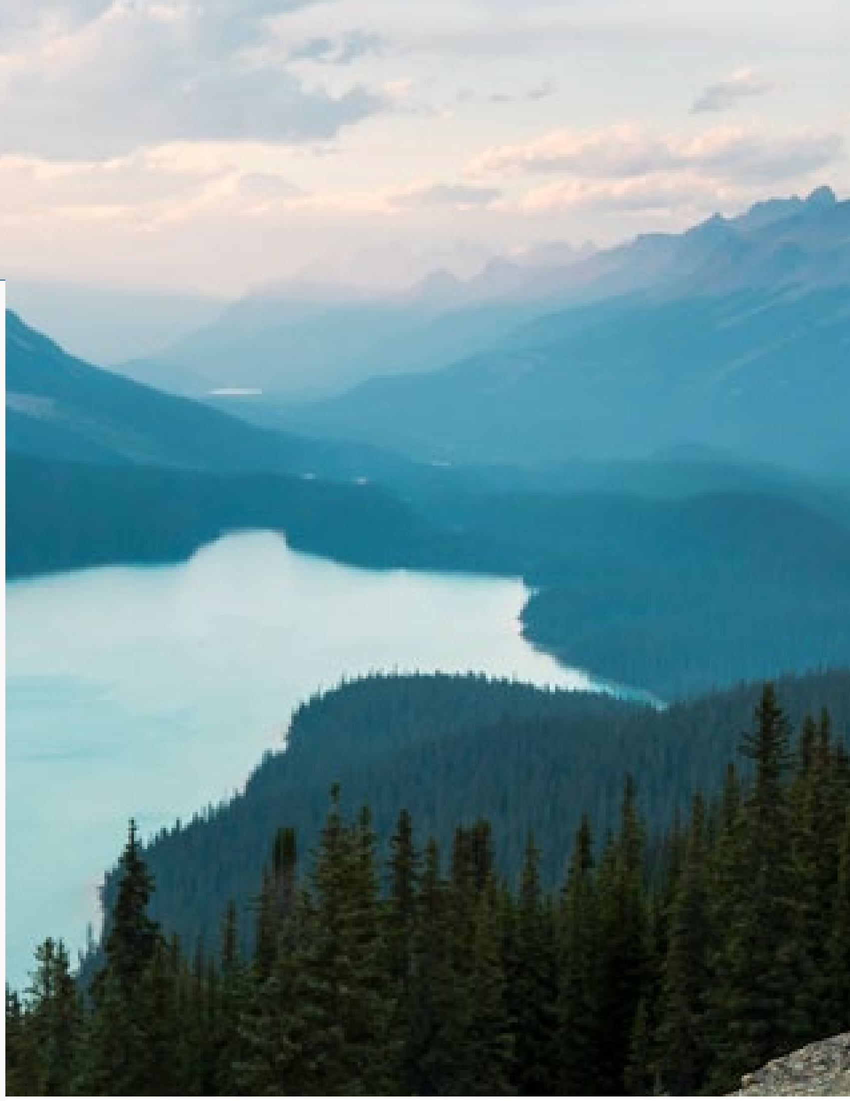
Exclusions framework
A scalable exclusions framework developed during 2022 to support our responsible investment products. The exclusions framework aligns exclusions with the philosophy and approach of the types of products available within our range.

Principal Adverse Impact Model ("PAIs")
Utilising the PAI framework under the European Union's Sustainable Finance Disclosure Regulation (EU SFDR), the model identifies issuers at risk of causing significant adverse impacts.

Good Governance model
Identifies companies with practices which may indicate poor governance related to board structure, employee relations, remuneration or tax management.

ESG data and analytical tools are hosted across a range of technology solutions, including research and trading systems, which are designed to enable integration of considerations into investment research, portfolio construction and risk monitoring. Our ESG and active ownership data and frameworks can be leveraged across investment, compliance and risk functions. For example, ESG is included in daily and quarterly risk reports and as part of internal portfolio reviews conducted by the Investment Consultancy and Oversight team.

We also utilise external data providers to support our in-house research and proprietary tools. Examples include MSCI, Bloomberg and FactSet. We prefer to utilise the raw data provided by these vendors and to structure this into tools which best support our ESG and stewardship insights. We keep data providers under review in order to ensure that we are selecting the highest-quality data source for each specific component of the score. For more information on our vendors please refer to Chapter 7.



ESG integration example:

Ubisoft Entertainment
Communication Services | France

Background

After video game producer Ubisoft announced it had reached an agreement to form a concert party with tech and entertainment conglomerate Tencent, a group comprising European Equity portfolio managers, an RI thematic research analyst and an active ownership analyst with expertise in corporate governance issues collaborated to plan engagement with the company.

Action

The group met with Ubisoft's lead independent director, Chief Financial Officer and investor relations representatives to express concerns that the newly announced concert party would have 29.9% voting rights, and effectively act as a takeover defence in an industry that is consolidating. They questioned how the decision was made and reiterated our governance guidelines that anti-takeover measures should be voted on by shareholders. They also raised broader concerns over the board structure and shareholder rights, and whether independent directors were fulfilling their roles effectively.

Outcome

The preparation for and conversation during the meeting stand as effective examples of colleagues across investment, research and active ownership teams using their different expertise and skills to collaborate for effective engagement. Conversations with Ubisoft have continued into 2023.

Further examples of ESG integration are reported in our Responsible Investment Quarterly reports, which are **published on our website**.

Nuances in asset classes and regions

There are some differences of ESG integration based on asset class given risk exposures, liquidity of instruments and the length of time we may be invested. Asset class nuance also impacts the way we conduct active ownership; for example, there are limitations to engaging with sovereign issuers relative to listed equity investments. The degree of ownership or control that an investor has, can greatly impact the ability to engage and effect change. Collaborative engagements, for instance, may be more suited where an individual investor voice is not as strong. We may also choose to prioritise engagement where our investment horizon is longer or aligns with a specific ESG factor, rather than engaging where a holding period is shorter and that factor is unlikely to impact our investments value.

As part of our approach, we also take account of geographic variations. We recognise that ESG standards, the level of investor engagement, and responsiveness to thematic ESG factors may be influenced by the country or region the issuer operates in. For example, an emerging market issuer may have lower regulatory standards on certain ESG factors versus a European issuer. Governance structures may vary based on the market, for example, a greater prevalence of state-owned enterprises in some markets, or unique approaches like the two-tiered board systems such as in Germany. To be effective, we must consider ESG and active ownership in the context of these nuances.

During 2022, the standardisation of our research processes, together with evolving client and regulatory demand has deepened integration across asset classes. For example, we have been extending our suite of analytics, active ownership approach and ESG integration to enable potential coverage of non-corporate asset classes (e.g. US municipal bonds, real estate loans and mortgage-backed securities). We also developed a new approach to assessing ESG factors in sovereign investments, with a focus on the outlook of sovereigns' ESG management and policies to combat the challenge with dated, backward-looking data. Additionally, we have been building out active ownership in line with corporate commitments such as the extension of our capability for coverage across asset classes (UK Stewardship Code), consideration of principle adverse impacts of our investments (EU SFDR), and our commitment to net zero as part of our membership of the Net Zero Asset Managers Initiative (NZAMI).

Fund distinctions

We believe it is important to distinguish that ESG integration is not automatically a proxy for sustainable investment. As outlined above, the consideration of ESG issues forms part of our research process, but does not necessarily equate to fund having a sustainable mandate.

Beyond funds that integrate ESG issues as part of the research process, we also offer specific sustainable and responsible investment products that have clear, specific and binding ESG objectives in their investment guidelines. These include products with an elevated level of ESG factor incorporation and potentially sector/security exclusion, as well as funds that invest entirely in sustainable investments and have both a financial return objective and target environmental and/or social outcomes or impacts.

Implementing our net zero commitment

As a signatory to the NZAMI, working in partnership with our clients, we aspire to reach net zero emissions by 2050 or sooner across all assets under management. We acknowledge that reaching this aspiration depends on the mandates agreed with our clients and their regulatory environments, as well as those of their managers if they have appointed us to act as a sub-manager on their behalf.

We have developed our **net zero methodology** in two key asset classes: listed companies (equities and corporate bonds) and direct real estate investments in the UK and continental Europe. We are working on methodologies for other asset classes, using the Net Zero Investment Framework as our basis. Our focus is on ensuring we understand the risks and opportunities from the transition to a low-carbon economy, and the specific challenges companies and economies face – both in the near-term and over time -- as they relate to different sectors and issuers. Critical to our role as an active manager, we actively engage with the companies we invest in to help them manage the transition and deliver for their stakeholders. Importantly, we offer a broad choice in investment strategies for individual and institutional clients with differing priorities, including solutions that meet the growing client demand for more climate-aware investment opportunities, and we are further evolving our offering in this regard. Our **2022 climate change report** details how we manage climate-related risks and opportunities, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

In November 2022, we reported as part of the NZAMI that 7.36% of our overall AUM[4], equating to approximately US $43.5 billion[5], is being managed in line with reaching net zero carbon emissions by 2050 or sooner. We are implementing our net zero commitment in stages, analysing portfolios individually to ensure we are using an effective and robust approach, rather than making commitments covering entire asset classes. This involves discussions between our fund management teams, RI climate experts and clients. This approach means we may build up the amount of assets included incrementally, but we believe it brings rigour and thoughtfulness to our implementation process. We expect the assets covered by these methodologies and principles to grow over time, in line with our aspiration, as data becomes more available, and more asset classes are covered. More information on our approach can be accessed **here**.

[4] Pyrford International has been excluded from this AUM count. As a subsidiary, it has become a signatory in its own right and will be reporting separately.

[5] As at 30 June 2022.

CHAPTER 3

Engagement

We offer our clients an investment approach that embodies active ownership. As active owners, proactive engagement (dialogue) with the issuers we invest in on behalf of our clients is an integral part of our approach to research and investment, and as stewards of client capital.

Through constructively encouraging investee companies to improve, active ownership can be a powerful driver of positive change, underpinning our commitment to deliver long-term returns for our clients.

How we engage with issuers

During 2022, we focused on integrating legacy approaches to engagement. While engagement was run separately, we defined and received approval from senior governance committees across the organisation for a harmonised, global approach, which went live in January 2023. In this chapter we have reflected the new, integrated approach, but have kept the metrics separate between the legacy businesses. We decided to reflect the new integrated approach below but split out metrics and statistics as per legacy teams/ organisations. The metrics reporting will be further merged in 2023.

As set out in Chapter 1, targeted RI engagement with issuers is an important part of our investment approach as active investors and responsible stewards of our clients' assets. We define engagement as having constructive dialogue with issuers on ESG risks that could have a material negative impact on their businesses and, where necessary, encouraging improvement in ESG management practices. Consistent with client expectations, our primary driver for engagement is to support long-term value creation by mitigating risk, capitalising on opportunities linked to ESG factors, and reducing any material negative impact that our investment decisions could have on these factors. We believe that, by engaging in this way, we can play a part in building a more sustainable and resilient global economy by encouraging issuers to improve their ESG practices. This can also help drive positive impacts for the environment and society that are in line with the achievement of the United Nations Sustainable Development Goals (SDGs).

Our engagement is structured around seven high-level themes:

- Climate change
- Environmental stewardship, including biodiversity
- Labour standards
- Human rights
- Public health
- Business conduct
- Corporate governance

Underlying each theme is a range of subthemes to help focus our engagement. We monitor the outcomes of our engagement and report on our progress to our clients and through public reporting.

Engagement is issuer-focused and predominantly executed for equities and corporate fixed income. We also cover real estate and private equity, which are outlined in the section below, **'Stewardship and active ownership case studies across various asset classes'**. We aim at covering in addition: Infrastructure; Collateralized Loan Obligations; Asset Backed Securities; Municipal Bonds; and Commodities. For 2023, we have also been developing a dedicated sovereign engagement programme.

For ***reo***®clients engagement covers listed equities, and corporate (financial and non-financial) credit. In each case this engagement activity is reinforced by the broader public policy engagement undertaken for all our clients.

Collaboration across asset classes and thematic and sectorial disciplines ensures an informed approach. Our consultative, research-driven process for engaging corporate leadership and management contributes to our investment insights (see Chapter 2), collaboration (see the 'Collaboration' section of this chapter), appropriate escalation (see the 'Escalation' section of this chapter) and our exercise of client voting rights (see Chapter 4).

Engagement identification and process

Our engagement is executed through close collaboration between our active ownership analysts, comprised of experienced engagement and voting specialists, and Fundamental Research analysts and portfolio managers.

The active ownership team, informed by clients, prioritises engagement along the following four pillars:

1

Priority issuers

We identify and prioritise issuers for engagement based on the following:

- Assessment of impact of ESG risk and opportunity factors now and in the future, including financial materiality of risk issues in accordance with SASB Standards[6]
- Investment teams' and fundamental research analysts' judgement and expertise
- Previous engagement track record
- The significance, probability of occurrence, and severity of adverse impacts on sustainability factors, including their potentially irremediable character, scale (gravity), scope and character (noting whether remedial action is possible)
- Assessment of likelihood of success for engagement
- Level of exposure, typically based on size of holding across both managed client assets and ***reo***®client assets
- Overall preferences[7] of managed asset clients or ***reo***®clients as may be provided to us

Additional considerations may be brought in depending on the issue under engagement, such as specialist data sources to identify issuers subject to a specific risk we are focusing on. This includes engagement projects (see below), and our Net Zero climate change engagement, which is prioritised according to a set of factors including financed emissions intensity and the quality of climate strategy.

We set specific engagement objectives ("Objectives") and track progress against these to assess achievements ("Milestones") and determine next steps. When we open discussions with individual issuers, we aim to clearly communicate our engagement objectives, expectations – including timelines – and desired outcomes.

[6] Sustainability Accounting Standards Board https://www.sasb.org/
[7] Including annual ***reo***® client consultation on company and thematic priorities

2

Engagement projects

On an annual basis, the active ownership analysts conduct a high-level assessment of a wide range of current and emerging ESG issues and their potential impacts on long-term investment returns, and on the economy, environment, and society. The results of this assessment help determine the specific ESG issues on which we will focus our engagement activities going forward. Project-based engagements on specific issues normally run for two to three years and are concluded by a final assessment of progress. During 2022, this process included review by our investment teams, a web-based survey and multiple emails addressing all investment professionals requesting feedback. We are working to evolve this for future years.

3

Event-driven engagement

Part of our engagement happens in reaction to scheduled events such as AGMs, where we would outline shareholder expectations, and encourage changes to an issuer's operations, governance structure or strategic approaches. Engagement activity may also occur in response to unscheduled and controversial events, such as scandals or major environmental disasters linked to corporate operations. Our event-driven engagement also happens in reaction to potential issuer breaches of global standards, such as the OECD guidelines for multinational enterprises or the UN Global Compact.

4

Engagement for specific mandates, fund strategy, or regulatory requirements

Individual client mandates, fund strategies or jurisdictional regulatory requirements may require a dedicated approach to engagement that is different to the approach outlined above. This will be outlined in client mandate documentation and/or fund/strategy-specific investment policies. For example, for our CT (Lux) SDG Engagement Global Equity Fund, we structure engagement activities around the SDGs and their underlying targets. We set clear engagement objectives for every company held in order to help drive improvement towards key SDG targets.

Conducting engagement

We engage at different levels within issuers depending on the nature of our Objectives, including with the board, executive management, investor relations, sustainability leadership, and operational specialists. Our preferred approach to conducting engagement is to use constructive, confidential dialogue, typically interacting one-to-one with issuers and building a relationship of trust over time as long-term investors. Where appropriate, we may also form or join coalitions with other investors, non-governmental organisations (NGOs) or industry groups, whilst ensuring that we adhere to all applicable anti-trust competition legal and regulatory requirements and any other applicable limitations when doing so. Please see Chapters 3 and 6 for more information.

Escalation

If issuers do not demonstrate progress on matters that we believe are in our clients' best interests, we may consider further escalation, such as collaborative engagement[8], public statements, filing shareholder resolutions, intervening at an AGM, and partially or fully divesting.

Tracking engagement progress

Objectives, Engagement Activity and Milestones are tracked and monitored for ESG-focused engagements. All engagement from fundamental research and stewardship analysts is tracked in a company-wide database and accessible to all research analysts and portfolio managers. Active ownership team engagement is currently tracked in a team-specific database, and content shared monthly and ad hoc on request with all research analysts and portfolio managers.

The database allows us to produce engagement activity reports for internal use, clients, or the general public, e.g. our Stewardship Report.

We measure and report on the success of engagement through the assignment of Milestones, which recognise improvements in issuers' ESG policy, management systems or practices against the Objectives that were set. Milestones are ascribed using a three-star rating system, with three stars indicating the most significant impact of change and one star reflecting smaller, incremental change along a pathway for the issuer, or across a broader context, for the relevant industry as a whole.

[8] Collaborative engagement is not exclusively used for escalation purposes but can also be used as standard engagement with other investors.

Engagement statistics for 2022

Fundamental research team[9a]

9,329* total interactions

3,462* issuers interacted with

87* ESG dedicated engagements

Active ownership analysts [9b]

1,962* total engagement interactions:

933* issuers engaged

The following engagement breakdowns for 2022 reflect CTML active ownership analyst activity only. Our work to roll out this approach to engagement tracking across Columbia Threadneedle is ongoing.

2022 saw overall higher numbers of active ownership engagements year on year (1,962 in 2022 versus 1,773 in 2021). Discover some details of our E, S and G engagement:

Environmental: Climate change remained an engagement focus, both individually and through our involvement in Climate Action 100+. Specific engagement topics included energy transition and banks' net zero strategies. Our biodiversity engagement focused on land use and deforestation, as well plastics circularity, and biodiversity risk management in banks.

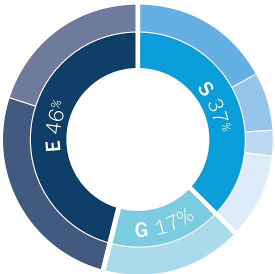
Social: During 2022, our engagement on social issues encompassed a variety of issues across human rights, labour standards and public health. Examples include human rights due diligence approaches, diversity, equity and inclusion recommendations, racial equity audit requests, and nutrition.

Governance: A large proportion of our corporate governance engagement during 2022 focused on executive pay, including linking ESG metrics into CEO pay packages. Board diversity and board independence were also topics of engagement during the year.

[9a] Source: Columbia Threadneedle Investments, as at 31 December 2022. Did not include CTML. [9b] Source: Columbia Threadneedle Investments, as at 31 December 2022. Refers to CTML only.
* For this figure, we sought independent limited assurance from KPMG. See p98 for more details.

Breakdowns of active ownership **engagement during 2022**

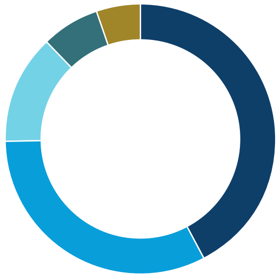
Engagements by theme



Climate change	26%
Environmental stewardship	20%
Labour standards	17%
Public health	7%
Business conduct	3%
Human rights	10%
Corporate governance	17%

Source: Columbia Threadneedle Investments, as at 31 December 2022

49 countries covered by engagement*



Europe	37%
North America	33%
Asia (ex Japan)	15%
Japan	8%
Other	7%

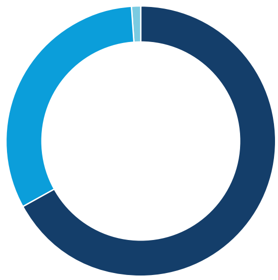
Source: Columbia Threadneedle Investments, as at 31 December 2022

Engagements by Sector

Industrials	11%
Health Care	9%
Financials	11%
Information Technology	9%
Consumer Discretionary	16%
Real Estate	4%
Consumer Staples	13%
Materials	15%
Utilities	4%
Energy	7%
Communication Services	1%

Source: Columbia Threadneedle Investments, as at 31 December 2022

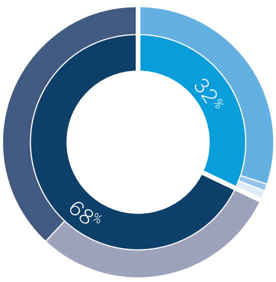
Engagement Intensity



1:1	67%
Collaborative	32%
Project	1%

Source: Columbia Threadneedle Investments, as at 31 December 2022

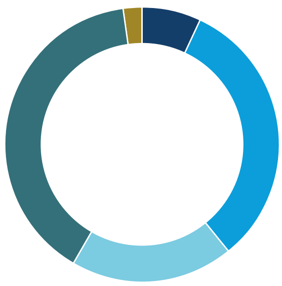
Engagement by method



Meeting	**32%**
Meeting (in person or teleconference)	30%
Company consultation	1%
Conference / Seminar	0%
Field trip and on-site visit	1%
Correspondence	**68%**
Letter	30%
Email	38%

Source: Columbia Threadneedle Investments, as at 31 December 2022

Engagement by leadership level



Board director(s), non-executive(s)	7%
Senior Executives	33%
Operational Specialist	19%
Investor Relations	39%
Corporate Secretary	2%

Source: Columbia Threadneedle Investments, as at 31 December 2022

As we further integrate our legacy businesses and benefit from enhanced corporate access, we would expect the proportion of our meetings with senior executives and board members to increase.

All breakdown figures are subject to rounding.
* For this figure, we sought independent limited assurance from KPMG. See p98 or more details.

Engagement **examples**

The following examples of engagement conducted by active ownership and thematic analysts reflect two of our engagement themes (climate change and labour standards) and two of our sustainability themes (climate transition and food & materials transition). The insights gained from these engagements are made available to investment desks to support their research and investment decision-making.*

Engagement conducted by our active ownership analysts[10a]

Phillips 66 | Energy | United States

Theme: Climate Change

Subtheme(s): Net Zero Strategy; Energy Transition

SDG:

SDG Target(s): 7.2 – Substantially increase the global share of renewable energy; 13.2 – Integrate climate change plans into policies and strategies

Background

During 2022, we engaged Phillips 66 as part of our Climate Action 100+ project. As a major refiner of oil products, Phillips 66 faces significant transition risks as the world move towards lower carbon fuels. In late 2021, Phillips 66 became the first U.S. refiner and second U.S. oil company to set Scope 3 emissions targets, pledging a 15% reduction in emissions intensity by 2030. It also announced a goal of reducing scope 1 and 2 operational emissions intensity by 30%, shortly followed by a 2050 target for a 50% operational emissions intensity reduction.

Action

These actions signify progress in a region where scope 3 targets are hard to come by; however, the company's strategy remains unaligned with a 1.5C pathway. Both sets of targets are on an intensity basis so do not guarantee absolute emissions reductions. We have engaged the company on the underlying assumptions and drivers behind their strategy, highlighting that we feel their assumptions for renewable energy availability and cost advantages in particular are unrealistic to the downside and there are greater opportunities for decarbonising their operations.

Importantly, the company has made numerous investments across the energy transition value chain over the past 18 months, including in hydrogen and EVs, which will help with their scope 3 decarbonisation plans.

Verdict

The company has been open to engagement and we have had good access to their experts and senior management, who have all given the impression of a company cautiously feeling its way through the energy transition. We support the actions they have taken to link quantitative emissions reductions to remuneration, to replace current qualitative measures, but are waiting to have emissions reductions projects and reporting frameworks in place first. The company's progress on its energy transition will remain a focus of our engagement with them.

* We recognise the benefits of a uniform approach to presenting case studies in reporting. However, due to the ongoing integration work and current differences in engagement tracking, there remain differences in how we present case studies – for example mapping to the SDGs.

[10a] Refers to CTML only.

Uber Technologies Inc | Industrials | United States

Response to engagement: Moderate

Theme: Labour Standards

Subtheme(s): Disclosure and Transparency; Diversity and Discrimination; Human Capital Management; Occupational Health and Safety

SDG:

8 DECENT WORK AND ECONOMIC GROWTH

SDG Target(s): 8.5 – Achieve full and productive employment for all; 8.8 – Protect and promote safe working environments for all workers

Background

Uber Technologies Inc is a US technology company which provides mobility as a service, with key business lines including ride-hailing, food delivery and freight transport. It was a priority issuer during our 2021 engagement, and we continued to actively engage the company into 2022. Uber has been subject to a series of ongoing social controversies, the most serious of which can be grouped into three categories. Firstly, Uber has been accused of neglecting the safety of riders, drivers and passengers, particularly with regards to incidents of sexual harassment. Investor visibility of Uber's management of this issue is obscured by the company's infrequent and partial reporting on this topic. Second, Uber's poor record on political lobbying in Europe came to light over the summer when a former executive leaked documents to the press, and the company continues to have a strong lobbying presence. Third, Uber has been exposed to public cases in Italy, Qatar & the Middle East, Netherlands and France on its link with undocumented migrant labour.

Action

We had a call with Uber's new head of ESG to discuss these three issues, and sent a follow up email to reiterate our expectations. On safety, we asked Uber to expand its disclosures from just its US ride-hailing operations to cover the other geographies and business units where Uber operates, and requested that Uber provide enhanced data on its management of safety incidents. On lobbying, we requested that Uber consider publishing detail on its lobbying principles, governance of lobbying, and disclosing direct lobbying activities and those through coalitions/trade associations which occur outside of the US. Uber's issues regarding undocumented migrant labour fall into two categories: issues with how Uber screens prospective workers, and issues with how Uber manages the social issues around ejecting vulnerable undocumented migrant workers from the labour pool. We would like Uber to provide additional detail on how it screens riders/drivers for undocumented migrant labour, how it tracks riders who use third party accounts, and how Uber seeks to manage the situation in a socially just manner when it discovers undocumented migrant workers in its rider pool.

Outcome

The company acknowledged our concerns and reflected that it is aware that the safety and lobbying issues are areas of concern for a number of investors. The undocumented migrant workers issue is a newer controversy for the company in its operations in Qatar & the Middle East, the Netherlands and France, and it seemed less prepared on this topic. We have since had positive communication on these issue areas with Uber's Head of ESG, but no concrete indication of intention to act on our recommendations. We are planning another call with Uber in 2023, before potentially looking at escalation routes if the company continues to be slow to improve.

Engagement conducted by our thematic analysts[10b]

VAT Group | Technology | Switzerland

Theme: Climate transition

Subtheme(s): Net zero targets

Background

VAT is a pioneer in advance vacuum technology. We identified VAT as a company with limited public disclosure around the issue of net zero, and we wanted to gain better insight on its strategy on this and its approach to sustainability.

Action

A portfolio manager and RI analyst led this engagement together. There were two meetings, one via a video conference call with the Head of Investor Relations, and the other an in-person meeting in London with the CEO and CFO. This was followed by a request from the company to provide it with guidance and views on best standards on ESG and net zero, which we provided via email to the company. Through our engagement, we learned that VAT is at the beginning of its ESG journey and is working thoroughly to implement a strategy. Despite a lack of public ESG disclosure the company is addressing sustainability in the material aspects of its business, including energy management, water and waste.

Outcome

The engagement served to create a strong relationship with the company with respect to ESG and for Columbia Threadneedle to be taken by the company as a reference on this matter. The call provided reassurance that VAT is committed to implementing ESG plans and providing ESG disclosure. It further strengthened our conviction in the company and our belief that improvement in climate disclosure will positively affect its ratings.

Dow Inc | Materials | United States

Theme: Food & Materials transition

Subtheme(s): Plastics circularity

Background

Dow is a US-based chemicals company with significant revenues from durable and single-use plastic. We wanted to better understand the company's ambition on plastic circularity, and potential challenges in its product line up and approach.

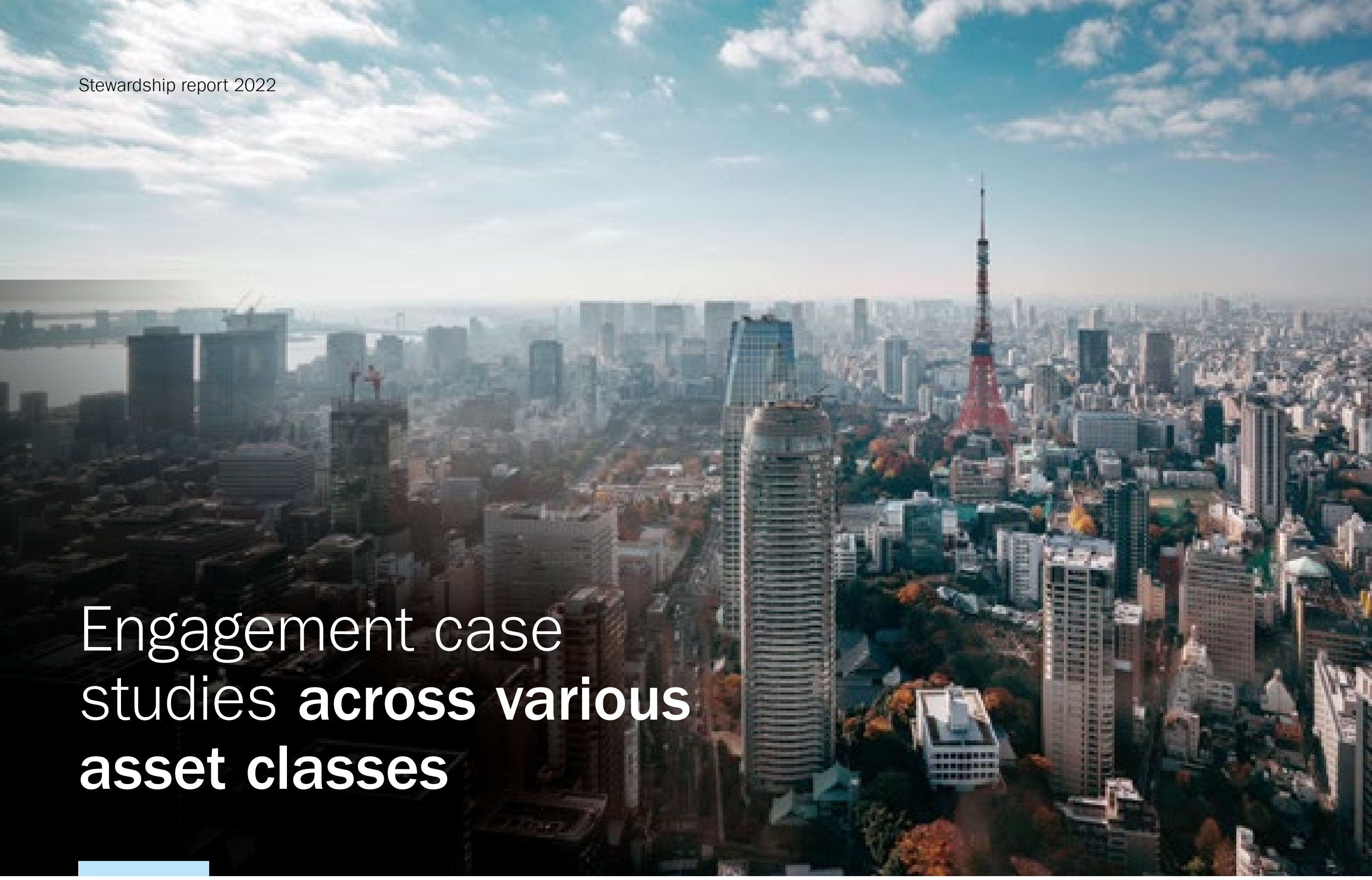
Action

During early 2022 we had multiple meetings with Dow representatives from investor relations, sustainability, climate change and managing counsel departments. Columbia Threadneedle representatives were from equity, credit, research and active ownership teams. During our engagements, we learned that Dow's production of multi-layer, non-recyclable plastic packaging (19% of production) will not be straightforward to transition to recyclable alternatives as per the 2025 recyclability commitments. However, it is working on potential solutions which in the long run may provide higher margin opportunities. Even if full technical recyclability is achieved, however, it estimates the percentage of products actually recycled will be in line with the global average of circa 9%. This will present regulatory risks and costs as more taxes and extended producer responsibility schemes are likely to be brought in. The company did not disagree with Columbia Threadneedle's estimate of future demand for recycled plastic, but pointed to hurdles in growing the stream of waste plastic which can be used as feedstock, which will be a prerequisite to meeting this demand.

Outcome

Our engagement allowed us to better quantify Dow's long-term target for recycled plastic production. We think this will need to be strengthened over time to demonstrate a clearer pathway to circularity. We will continue our dialogue with the company and continue to measure its progress.

[10b] Did not include CTML.



Engagement case studies **across various asset classes**

The below examples highlight engagement led by investment desks (sometimes with representation from RI professionals), and we include what impact the engagement had on the investment case. Equity portfolios, corporate investment grade and high yield credit portfolios are managed to the same standards, including with respect to active ownership and integration of ESG issues. This differs slightly for some of the other asset classes that we reference below. For example, some engagement is more focused on obtaining information to help monitor companies' business practices, rather than to specifically drive change as outlined above.

Engagement in Equities (Global Responsible Equities team example)

Daiseki | Industrials | Japan

Daiseki

Background

Daiseki is a leading player in Japan in the recycling of waste oil, wastewater and industrial sludge. They play an important role in the pivot to a more circular, sustainable economy.

Action

The Global Equity team had four engagements with Daiseki during 2022; three times with an active ownership analyst present and once without. Engagement has focused on diversity, environmental risk management and climate action plans.

In January, members of the Global Equity team and an active ownership analyst met with the President of Daiseki for an update on the company's progress towards the SDGs. They discussed the company's emissions disclosures, where management highlighted that they were considering scope 3 disclosures. The company flagged ongoing challenges to a net-zero ambition and in a follow up to the engagement we highlighted potential solutions and industry standards, including the use of alternative fuels in their fleet fuel mix. Our team engaged Daiseki again in April, with the company's new President, particularly focusing on climate action and gender diversity. Specifically, the team flagged that without significant investment in low carbon technologies, they question the company's ability to meet their climate goals. The team encouraged the Company to continue its programme to understand where it can reduce emissions and to set a science-based reduction target.

Outcome

The company dominates environmentally friendly industrial waste recycling in Japan and the Global Equity team are pleased to have seen improved ESG disclosure. Climate action will be a continued focus of engagement going forward.

Impact on investment case: The Global Equity team remain invested in Daiseki.

Engagement in Equities (Responsible Global Emerging Markets team)

Naver Corporation | Communication Services | South Korea

NAVER

Background

Naver Corporation is a South Korean internet conglomerate that operates the search engine Naver. It is also one of the largest ecommerce players in South Korea, with a focus mainly on SMEs with the aim to educate and empower them by making them competitive against larger chains through use of technology and outreach on a national level. In light of recent company restructuring following controversies regarding its workplace culture, the Responsible Global Emerging Markets team, along with active ownership analysts, engaged Naver during 2022 on a range of social and governance issues.

Action

Specifically, the team spoke with Naver's Investor Relations team on ESG governance, human capital management and grievance mechanisms. Naver clearly recognised the need to improve and gain trust amongst its employees, and had defined actions to improve, such as reinforcing leadership education, overhauling reporting procedures, and employee communication to share feedback. The company also stated it was speaking with labour unions to ensure transparency and fairness with its feedback channels. After the engagement, the team followed up with Naver to encourage the company to set ESG metrics tied to executive compensation, and implement employee engagement pulse surveys. They reinforced the importance of diversity and inclusion in the workforce due to its ties to financial materiality, employee engagement and trust, and recommended setting diversity and inclusion targets. They also provided best practice examples for each of their recommendations and details for participation in the Workforce Disclose Initiative (WDI).

Outcome

Overall, the engagement with Naver was constructive. Moreover, the company improved its disclosure on employee engagement, publishing the results of a survey on employee satisfaction with organisational culture within its annual report. They reported that 72% of employees participated in the survey, with 68% satisfied with the overall organisational culture. Having previously engaged with Naver to disclose such metrics and demonstrate a changing workplace culture, a milestone was recorded for this progress.

Impact on investment case: The Responsible Global Emerging Markets team remain invested in Naver.

Engagement in Credit (High Yield team examples)

Carnival | Consumer Discretionary | United States

Carnival

Background

Carnival is a cruise operator with a combined fleet of more than 100 vessels across 10 cruise line brands. The Credit team's 2021 engagement with the company concluded that ESG risks remained elevated, and in early 2022 it pleaded guilty to breaching the probation terms of its 2017 environmental crimes conviction by the Southern District of Florida court as necessary changes had not been implemented in time.

Action

In 2022, the team engaged Carnival to assess its progress in managing ESG risks. Management stated that they have implemented the steps ordered by the court to improve the independence and effectiveness of the investigation team.

Outcome

Overall, the team were disappointed that Carnival was not able to implement the necessary changes of their probation and the failure highlighted governance issues.

Impact on investment case: Carnival's lack of progress to improve its ESG profile was a contributing factor to the team's decision to reduce the position within certain credit portfolios, consistent with client requirements.

Engagement in Alternatives

For our sustainable multi asset strategies that invest in alternative strategies we require certain minimum criteria to be met – including but not limited to the exclusion of weapons, tobacco, a general commitment to ESG integration, as well as a commitment to positive sustainable investment trends. Managers of alternative strategies are engaged pre-investment on ESG risks and opportunities as identified by active ownership analysts and portfolio managers, they are quizzed on developments of their strategies at least annually, and regularly need to complete ESG questionnaires which can further influence the engagement agenda.

Engagement example

Home REIT | Real Estate | United Kingdom (update from previous BMO GAM (EMEA) submission)

Background

Home REIT invests in a diversified portfolio of assets across the UK that provide accommodation to the homeless.

Action

During 2022, the Multi Asset team had several interactions with Home REIT. In January, updated answers to their ESG Questionnaire and new Net Zero Questionnaire were received and provided some good insight. Home REIT's ESG policy has been updated to include reference to the Good Economy Report, UN PRI and UN SDGs. Whilst there have been no changes to the resources available to the investment team relating to ESG data and staff, they are working with an independent sustainability consultant to enhance their strategy towards carbon reduction and optimising environmental efficiency across the portfolio. In terms of the specific Net Zero Questionnaire, we note that Home REIT is a social-focused product and therefore Net Zero will be less integral to its strategy at present. Currently, Home REIT has made no public commitment to Net Zero and given assets are residential property, a net zero methodology cannot yet be applied. As mentioned, they are working with an independent sustainability consultant and are considering the most appropriate framework relating to Net Zero (TCFD, etc.) as part of this review. Later in the year, Viceroy Research released a report calling out poor governance and issues with financial reports, among other concerns, and announced it was short the Trust. Home REIT's share price tumbled, and publication of its financial results were delayed to allow enhanced auditing in response to the allegations. The Multi Asset team, along with other investors in the Trust, therefore joined a Group Call with Home REIT's Board Chair, CFO and Portfolio Manager so that the accusations could be addressed, and investor questions answered.

Outcome

The Multi Asset team felt that Home REIT's answers to the accusations did not restore enough confidence in holding the name. They therefore consulted active ownership analysts, who were generally happy with the Trust from a governance perspective but highlighted some areas for improvement.

Impact on investment case: Given the unsatisfactory response to the accusations and concerns from an investment perspective, the Multi Asset team decided to sell Home REIT at the end of 2022.

Private Equity

The identification of material ESG risks forms part of our private equity investment process, helping us to manage risk and support long-term returns. In encouraging managers to move towards best practice in managing ESG issues, we refer to international codes and standards where relevant. Our private equity programme includes primary fund investments, secondary investments and co-investments. We therefore tailor our approach as appropriate, focusing on both the ESG policies and practices of our investment partners (particularly for fund investments) and of companies (particularly for co-investments). Assessment of ESG parameters is a compulsory element in the private equity investment process and is explicitly addressed in each investment paper.

Example from our Private Equity Trust team

The team engage with all investees on ESG issues via their Annual ESG Survey, which comprises 59 datapoints covering a broad spectrum of ESG topics, metrics and trends. Performance is tracked, monitored and reported in the team's **Annual ESG Report**. The team first conducted an ESG survey in 2011, and since 2014 it has been an annual occurrence. The annual survey allows the team to assess and monitor their General Partners but also facilitates engagement on areas for improvement. Managers who score below average are encouraged to develop over time, and comments are fed back over the life of the investment in a bilateral process. In the latest 2022 survey, they were pleased to achieve an 84% response rate across both private equity funds and companies, which highlights the strength of their relationship with investees and the growing importance of ESG. The ESG survey is led by one portfolio manager, but the entire investment team also engages with all investees frequently throughout the year at catch up calls, meetings and AGMs where they discuss ESG developments. **Cyberhawk** is an example of a co-investment that takes ESG seriously. Through the Private Equity team's engagement and representation on the company board, Cyberhawk has increased its focus on measuring its positive impact, leading to the publication of its first ESG report. The team remain invested in the company.

Liability Driven Investment (LDI)

For LDI, ESG aspects are considered for selecting and monitoring of counterparties. When building our list of approved counterparties, we include ESG scores, building on MSCI ESG data and weighted for thematic relevance per sector as determined by active ownership analysts, and engage with counterparties on ESG risks and opportunities identified, also carried out by active ownership analysts. For example, we conducted initial outreach and interactions with 15 banks on their management of biodiversity risks and opportunities through late 2021 and 2022. We compiled our findings on banks' current practices, as well as a set of expectations based on current industry initiatives and best practices. Through this outreach, we shared our expectations with the initial set of banks, including an expectation to conduct an assessment of the biodiversity impacts and dependencies of their loan and underwriting portfolios, among other activities. While some banks have begun to set net nature positive targets, many banks are adopting a 'wait and see' approach which reflects the uncertainty they face given the nascency of the issue and the numerous initiatives that have recently emerged. We will seek follow-up meetings with these banks to discuss the issue in more detail.

Real estate

We have a framework under which we engage with our investors, occupiers, property managers, environmental advisors, and our supply chain. As an example, we have committed to achieve net zero carbon across all CTML funds across the UK and Europe by 2050 or sooner. This commitment goes beyond our landlord operations, covering whole building emissions which include those of our occupiers. To achieve the commitment, we must use green leases, undertake robust tenant engagement strategies and increase the use of technology to directly capture occupier data. Each of these requires us to engage through effective partnerships and communicate as we set the clear targets, plans and procedures that will allow us to fulfil our ambitions. Our industry engagement during 2022 can be found in Chapter 6.

Infrastructure

In the vast majority of cases in this asset class we are the outright or substantial majority holders in the assets and companies in our portfolios, thus our views are conveyed directly through our ownership. Our European Sustainable Infrastructure Strategy follows a custom-built investment framework 'OMS' (Operational, Macroeconomic, Sustainable), where a progressive approach to assessing and integrating sustainability risks and opportunities is undertaken through the above-mentioned ownership structures of the assets and companies. A sustainability lifecycle monitoring framework, which is built around and based on various international standards and frameworks (e.g., FMO, SASB, and SDGs) covering 58 measures across 18 ESG themes, allows us to engage with companies and assets actively and regularly on ESG topics. As an example, during 2022 we committed Condor Ferries to reduce scope 1, 2 and 3 GHG emissions by at least 50% by 2050. As a first step, the focus will be on reducing Scope 1 emissions, targeting emissions from the fleet of ferries, with a reduction in carbon intensity of 40% by 2030. This will be achieved through operational changes; supply chain and procurement intervention; and design and performance improvements, including but not limited to offset strategies. This will need ongoing monitoring and engagement, which is achieved through direct board involvement/ownership for the assets and companies in the portfolio.

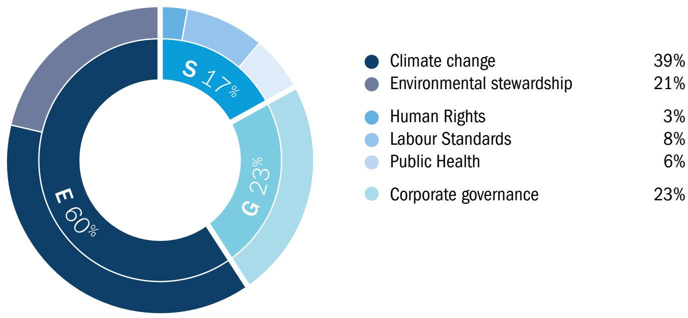
We continue to work on extending our active ownership efforts to all asset classes we invest in on behalf of our clients. For 2023 one of our priorities will be sovereign debt, and how to impactfully engage and report on respective engagement activity.

Engagement in practice – 2022 Milestones[11]

Our active ownership analysts record milestones where companies make tangible improvement in their policies and practices in alignment with our active ownership objectives. We rank these milestones as one, two or three stars to reflect the significance of the change for the company, the market and/or our engagement objectives.

In 2022, we recorded 288 milestones* where issuers improved ESG policies and practices following our engagement.

Milestones achieved by engagement theme



Figures are subject to rounding.
Source: Columbia Threadneedle Investments, as at 31 December 2022

BHP Group | Materials | Australia

SDG: 15 Life on land

Milestone: ★★

Target: 15.5 – Take urgent action to reduce degradation of natural habitats

Issue: Environmental stewardship

Disclosed biodiversity targets and strategy.

BHP launched a 2030 goal to create nature positive outcomes by having at least 30% of land footprint under nature positive management practices by 2030. This is backed up by a significant implementation strategy, metrics and an ambition to develop natural capital accounts. Overall this is a sector-leading target, backed up by technical methodologies and reporting which should help push sector wide ambition.

BP | Energy | United Kingdom

SDG: 12 Responsible consumption and production; 9 Industry, innovation and infrastructure

Milestone: ★★★

Target(s): 12.6 – Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle; 9.4 – Upgrade and retrofit industries to increase sustainability

Issue: Climate change

Expanded net zero commitment.

After significant engagement, including individually and from Climate Action 100+, BP have strengthened their net zero commitment to include the lifecycle (scope 1-3) emissions from all energy produced, sold and physically traded. This is a significant advance from the previous aim of a 50% reduction in their lifecycle emissions intensity. The company also now aims to reduce operational emissions by 50% by 2030, compared with an aim of 30-35% previously.

[11] All data refers to CTML only.

* For this figure, we sought independent limited assurance from KPMG. See p98 for more details.

TotalEnergies | Energy | France

SDG: No SDG

Milestone: ★★★

Target: No SDG target

Issue: Human rights

Withdrawal from Myanmar.

Following the 2021 coup in Myanmar and the associated human rights violations, the company has decided to withdraw from the gas production project in the Yadana field and the Moattama Gas Transportation Company, both as an operator and as a shareholder. This ensures that revenues will stop flowing to the Burmese state-owned company and cut financing to the military, limiting its contribution to human rights abuses. We had repeatedly engaged with the company's senior executives on the situation in Myanmar and its responsibility to help ensure the safety of personnel and protection of human rights.

Tesco | Consumer Staples | United Kingdom

SDG: 8 Decent work and economic growth

Milestone: ★★★

Target: 8.5 – Achieve full and productive employment for all

Issue: Labour standards

To paying the living wage gap to banana producers.

From January 2022, Tesco committed to pay the living wage gap to banana producers, by topping up the pay of workers earning less than the living wage, equivalent to the volumes sourced by the company. They will ensure producers put in place a timebound commitment to pay all workers a living wage and will reward suppliers who continue to make progress on closing living wage gaps with higher order volumes. From January 2024, the company will only source from banana producers who pay a living wage to all workers. We have engaged with Tesco as part of our project to promote living wages for direct employees and supply chain workers.

Meta Platforms | Communication Services | United States

SDG: 12 Responsible consumption and production

Milestone: ★★

Target: 12.6 – Encourage companies to adopt sustainable practices and enhance ESG reporting

Issue: Human rights

Published first annual human rights report.

The company published its first annual human rights report in line with the United Nations Guiding Principles (UNGP). The report also discusses its human rights due diligence on products, countries and responses to emerging crises. Through our engagement we have been pushing the company for more transparent human rights disclosure to improve its content moderation programme and ensure responsible speech online in conflicts such as Myanmar, Ukraine & Russia.

Unilever | Consumer Staples | United Kingdom

SDG: 2 Zero hunger

Milestone: ★★★

Target: 2.1 – End hunger and ensure access to safe and nutritious food

Issue: Public health

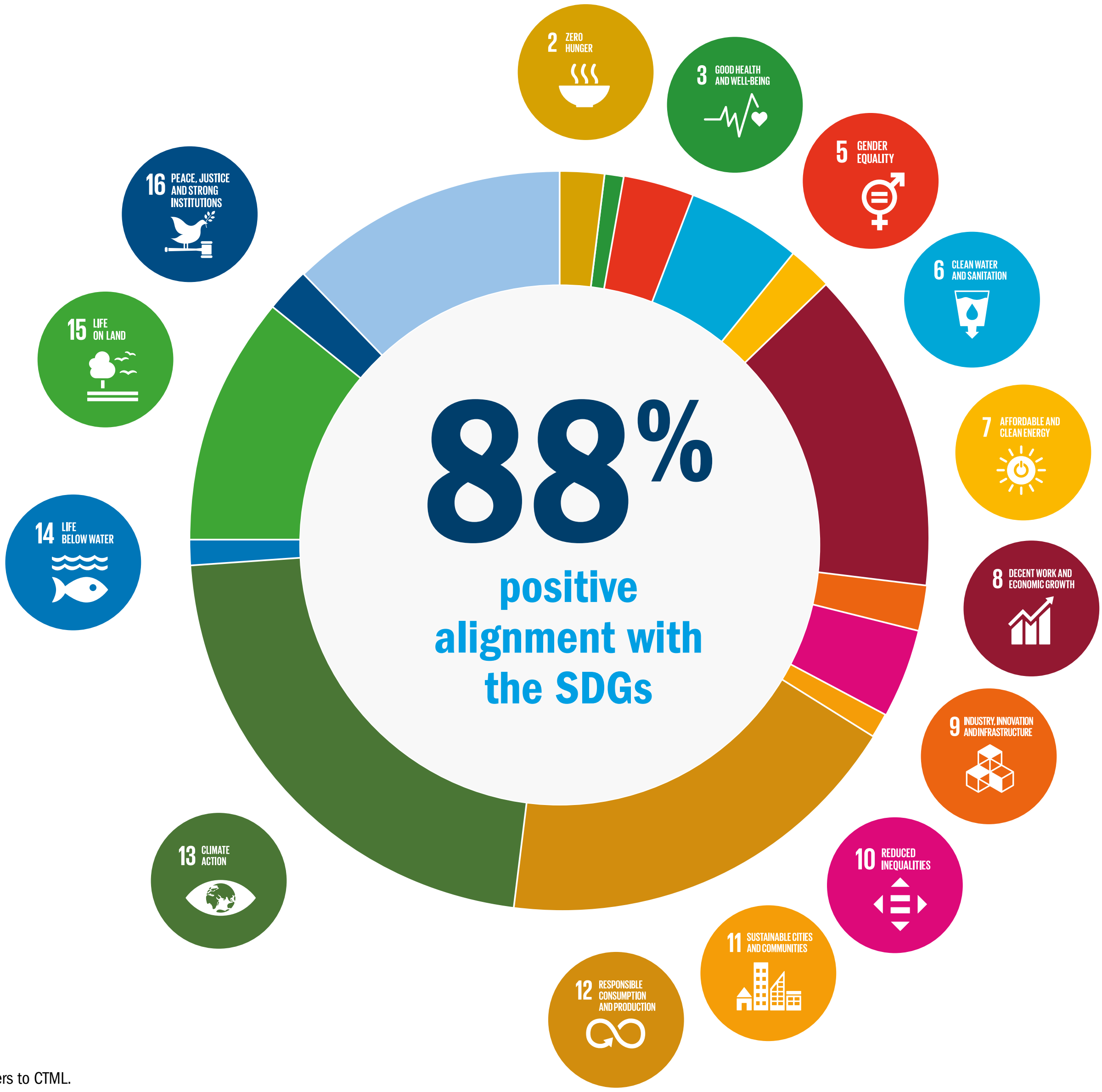
Set industry-wide benchmark for disclosure on nutrition.

Unilever has set a new benchmark for the industry in terms of disclosure – the company discloses on the healthiness of its sales (both volume and revenue), against six government-endorsed nutrient profiling models (NPM) and their own internal model. This step was the result of a shareholder resolution coordinated by investors in ShareAction's Healthy Markets coalition last year and subsequent collaborative engagement calls.

Engagement and Sustainable **Development Goals (SDGs)**

Since the 2030 Agenda for Sustainable Development ("the Agenda") was adopted by all United Nations Member States in 2015, much progress has been made to meet the Agenda's goals. As we move closer to 2030, decisive action by all stakeholders is critical. While many companies now have sustainability strategies aligned with the SDG framework, robust implementation and an acceleration towards meaningful and lasting change is imperative.

We believe the 17 SDGs and underlying targets provide a useful tool for companies and investors to be able to contribute to achieving the ambitious objectives of the 2030 Agenda for Sustainable Development. The framework has created a common language between stakeholders, and we are seeing that having a positive impact within our engagement. Our engagement database includes the 169 SDG targets, which allows us to log interactions, progress and results to this granular level where relevant. The main exception to this is our corporate governance engagement, which we do not map to the SDGs (with exception of board diversity, which is mapped to SDG 5 and relevant targets).[12]

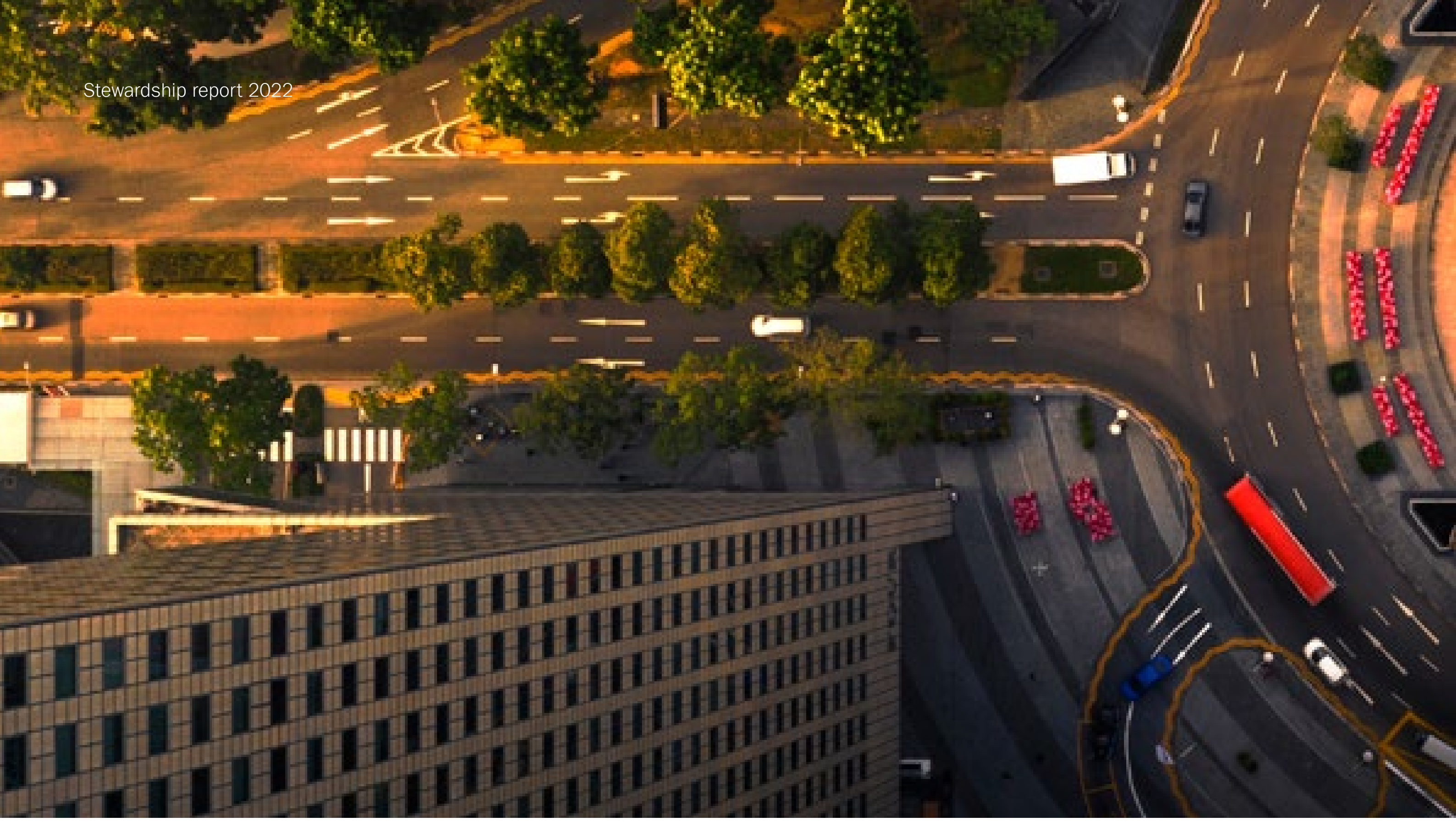


[12] All data refers to CTML.

Alignment breakdown

SDG 2: Zero Hunger		**2%**
2.1	End hunger and ensure access to safe and nutritious food	1.0%
2.2	End all forms of malnutrition, particularly for children and women	1.0%
SDG 3: Good Health and Well-Being		**1%**
	No targets were more than 0.5% aligned	
SDG 5: Gender Equality		**3%**
5.1	End all forms of discrimination against women and girls	0.6%
5.5	Ensure full equality of opportunity for women, including at leadership levels	2.4%
SDG 6: Clean Water & Sanitation		**5%**
6.3	Improve water quality by reducing pollution	0.8%
6.4	Increase water-use efficiency to address water scarcity	3.8%
SDG 7: Affordable and Clean Energy		**2%**
7.2	Substantially increase the global share of renewable energy	0.8%
7.3	Double the global rate of improvement in energy efficiency	1.3%
SDG 8: Decent Work and Economic Growth		**14%**
8.2	Achieve greater productivity through innovation	0.6%
8.5	Achieve full and productive employment for all	4.6%
8.7	Eradicate forced labour, modern slavery & human trafficking	5.9%
8.8	Protect and promote safe working environments for all workers	2.8%
SDG 9: Industry, Innovation and Infrastructure		**2%**
9.4	Upgrade and retrofit industries to increase sustainability	0.8%
SDG 10: Reduced Inequalities		**4%**
10.2	Empower and promote inclusivity for all	2.7%
10.3	Ensure equal opportunity and legislation for all	0.7%
SDG 11: Sustainable Cities and Communities		**1%**
11.4	Strengthen efforts to safeguard the world's natural heritage	0.6%
11.6	Reduce the negative environmental externalities of cities	0.5%
SDG 12: Responsible Consumption and Production		**18%**
12.2	Sustainably manage and make efficient use of natural resources	1.3%
12.4	Manage chemical usage and waste throughout their life cycle	2.9%
12.5	Reduce waste through prevention, reduction, recycling and reuse	1.5%
12.6	Encourage companies to adopt sustainable practices and enhance ESG reporting	11.7%
SDG 13: Climate Action		**22%**
13.1	Strengthen adaptive capacity to climate-related events	2.4%
13.2	Integrate climate change plans into policies and strategies	19.0%
SDG 14: Life Below Water		**1%**
14.1	Prevent and reduce marine pollution of all kinds	0.6%
SDG 15: Life on Land		**11%**
15.1	Ensure sustainable usage of terrestrial freshwater ecosystems	1.5%
15.2	Promote the implementation of sustainable management of forests	3.5%
15.5	Take urgent action to reduce degradation of natural habitats	5.6%
SDG 16: Peace, Justice and Strong Institutions		**2%**
16.b	Promote non-discrimination laws for sustainable development	1.3%
	No SDG alignment	12%

Only targets >0.5% aligned are shown on the table.
Source: Columbia Threadneedle Investments, as at 31 December 2022.
Figures are subject to rounding



22% of our active ownership team engagement linked to SDG 13: Climate action

During 2022, climate change remained a key engagement theme, specifically on target 13.2: integrate climate change measures into national policies, strategies and planning around climate change integration. We continued to encourage companies to adopt or strengthen their net zero strategies and manage their emissions accordingly.

18% of our active ownership team engagement linked to SDG 12: Responsible consumption and production

Transparent reporting and disclosure on ESG issues remains an important issue to us, and so we continued to encourage companies to improve their efforts here. This links to SDG target 12.6: encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle. Alongside our continued efforts to support the Workforce Disclosure Initiative, we also collaboratively engaged several materials companies to improve their disclosure on hazardous chemicals.

14% of our active ownership team engagement linked to SDG 8: Decent work and economic growth

We continued to collaboratively engage FTSE 350 companies to improve their modern slavery reporting in accordance with the UK Modern Slavery Act 2015, aligning with target 8.7: eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour. As part of ShareAction's Good Work Coalition, we also signed a letter to UK companies to encourage the provision of security of hours, alongside a real living wage. This aligns with target 8.5: achieve full and productive employment and decent work for all.

No SDG link

12% of our engagement did not link directly to a target. Most of this relates to corporate governance, on topics such as board independence and executive remuneration. We also did not link any of the SDGs to our participation in the Global Investor Collaboration on Farm Animal Welfare, a collaborative engagement between investors and food companies on farm animal welfare. The annual BBFAW (Business Benchmark on Farm Animal Welfare) assists us in evaluating company performance on farm animal welfare. We wrote to companies that failed to make improvements in the benchmark compared to previous years, requesting information on planned improvements in policy and implementation to strengthen performance.

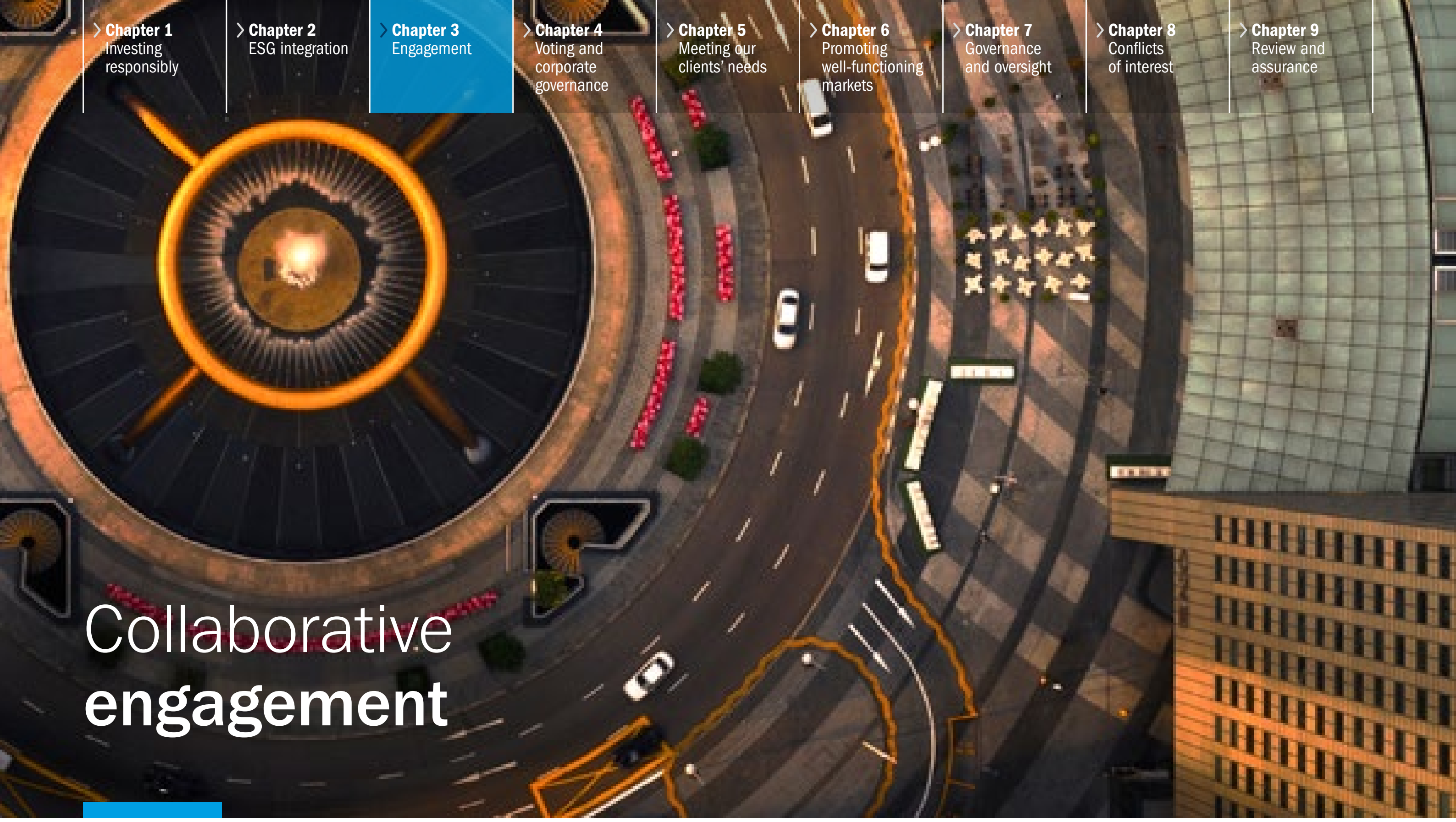
Engagement themes for 2023

During 2023, we will continue to prioritise RI engagement with issuers on the following whilst considering the range of investment preferences that our clients have):

- **Climate change:** Coal phase out 2.0; Banks' net zero strategies; Physical risks of climate change
- **Environmental stewardship:** Emissions + plastic waste (chemicals)
- **Human rights:** Human rights due diligence; Mitigation of social harms

We will also begin RI engagement with issuers on:

- **Climate Change:** Deforestation
- **Human Rights:** Responsible governance of Artificial Intelligence (AI)
- **Public health:** Diversity in clinical trials
- **Corporate Governance:** Improving board gender diversity in Asia



Collaborative engagement

How we participate in collaborative engagement

We aim to drive positive change that contributes to long-term economic value creation. Collaborative engagement with other investors and other stakeholders enhances our stewardship of client capital by leveraging the collective power of like-minded institutions, where appropriate: speaking with a unified voice can allow investors to communicate their concerns more effectively, whilst gaining power and legitimacy from the perspective of corporate management. Furthermore, working together with industry bodies to promote a well-functioning financial system benefits our clients, society as a whole and is a fundamental responsibility of financial institutions. A list of our key RI memberships and affiliations is shown in Chapter 6[13].

Investor collaboration and industry initiatives

As appropriate, we collaborate with other investors and other stakeholders directly and through industry working groups to engage companies on different issues. This can be a form of escalation in an engagement dialogue or may simply be a more effective form of engagement than 1:1, depending on the circumstances. We consider any offers to collaborate on their merits and decide on participation based on whether we believe the topic is relevant for our holdings, of interest to our clients and that it advances general active ownership objectives. We will not collaborate with third parties if their approach or agenda for engagement is not aligned with ours.

During 2022, only engagement conducted by the active ownership team can be broken down to report how much was done collaboratively. In 2022, this was 32%.

Examples of collaborative engagement conducted by active ownership analysts in 2022

United Overseas Bank | Financials | Singapore

UOB

Background

Since 2019, we have engaged with the Singaporean bank United Overseas Bank (UOB), as well as several other banks across Asia, to discuss their environmental and social risk management frameworks, the integration of this within banks' business procedures and credit decision making, and their broader sustainable finance approach. Our initial dialogue highlighted that Singaporean banks were amongst the leaders in the region when it came to broader sustainable financing practices. However, we also learned that many banks lacked specific actions to identify and manage climate-related risks and opportunities. Given the vulnerability of many Asian countries to the impacts of climate change, we decided to continue to engage with several banks in the region, including UOB, encouraging them to support an orderly and just transition to a net zero economy, considering the unique regional context. We therefore joined Asia Research & Engagement's Asia Transition Platform as an active member, collaborating with other investors to engage effectively with Asian financial institutions, seeking alignment of their financing activities with the goals of the Paris Agreement.

[13] When undertaking any collaborative engagement activity, we ensure that we act at all times in accordance with the requirements of competition law, including but without limitation, prohibitions on concerted practices between firms.

Action

Alongside these other investors, and facilitated by Asia Research & Engagement, we wrote a letter to the Chairman of UOB and held a subsequent engagement in early 2022 with senior members of their sustainability team. We discussed various aspects of their management of climate risks, including their board-level oversight of the issue and whether they had considered setting financed emissions targets aligned with the Paris Agreement.

Outcome

Subsequently, we have seen positive improvement in UOB's management of climate risks. In October 2022 they joined the Net Zero Banking Alliance, and in the same month announced a commitment to net zero by 2050, alongside a set of ambitious sectoral decarbonisation targets covering six sectors, recognising the regional context. We have scheduled further engagement with the company to discuss how they intend to meet these targets.

Zalando | Consumer Discretionary | Germany

Background

Zalando is a German-based online fashion retailer. As part of the collaborative engagement group Platform Living Wage Financials (PLWF), we participated in a collaborative engagement call with members of the Zalando ethical responsibility team to discuss their efforts to enable supply chain living wages, pursuant to the PLWF's Garment Working Group's Living Wage methodology.

Action

From the discussion, it was clear that the issuer has progressed its approach to living wages and other human rights issues as a result of the German Supply Chain Act ("Lieferkettensorgfaltspflichtengesetz"). Next year, they intend to conduct more advanced training and conduct living wage gap analysis. We encouraged the issuer to develop a robust grievance mechanism and were enthused to hear about the development of a mechanism that utilises different communication channels to receive anonymous grievance reports. We further highlighted that their policy on human rights should factor in living wages and be transparent about the benefits and effectiveness of their engagement with multi-stakeholder initiatives.

Outcome

The Company will be part of the PLWF 2023 assessment cycle and we will continue to feedback ways to improve the implementation of their living wage programme.

Gildan Activewear | Consumer Discretionary | Canada

Background

As part of a collaborative engagement group organised by the Interfaith Center on Corporate Responsibility (ICCR), we had a call with the Canadian apparel company Gildan to discuss its approach to human rights risk management.

Action

We asked the issuer how it limits its exposure to forced labour concerns in high-risk Asian countries and they pointed out their strategy is to source 90% of cotton from the US and the other 10% through sustainable sources such as the Better Cotton Initiative. While the issuer does generally source from China, cotton products are not in scope. They also require manufacturers to produce chain of custody documentation as part of the traceability process. They facilitate grievance mechanisms throughout the supply chain. Where issues are identified they work with suppliers to implement remediation programs for example, to repay recruitment fees to workers. Suppliers are incentivised to remediate issues in order to maintain the Gildan business relationship, but we encouraged them to consider remedy for workers where suppliers are unable/ unwilling to facilitate this for workers.

Outcome

The issuer has an established ESG steering committee, co-chaired by the CEO with other executive/ senior management personnel sitting on the committee responsible for the development of the ESG strategy, giving us confidence that material ESG risks and opportunities have sufficient oversight. We underlined nonetheless the need to improve due diligence of third-party suppliers to avoid material risks, and will continue to engage on this topic.

Orpea | Health Care | France

Background

Working conditions and quality of care have long been complex issues in the long-term care sector, with material implications for the operational and financial stability of the operators. In 2021 we joined a group of investors and stakeholders as founding members of a collaboration for engagement on the topic. Our objective was to drive improvements and underpin the long-term financial sustainability that is undermined by substandard care and working conditions. In 2022 the collaboration crystalised into the Investor Initiative for Responsible Care, a group with 133 signatories representing more than $3.8 trillion in assets under management.

During 2021, Orpea – one of Europe's largest for-profit nursing home groups – had been complacent and dismissive on these topics in dialogue with our investor group. 2022 has seen the progressive financial collapse of tgroup, one of Europe's largest for-profit nursing home groups, relating to issues that drove the engagement collaboration.

Action

Dialogue with Orpea reopened in 2022, however, subsequent events, including an admission of financial malpractice and a crisis debt restructuring, have effectively overtaken our ability to contribute to the reform of the group's governance and culture that we deemed necessary.

Outcome

Our role in the collaboration moved into a supporter phase, as salient points of ongoing dialogue have zoned in primarily on the French operators. Looking ahead, we are revisiting our engagement objectives for 2023 with the broader global sector. This is because of the developments at Orpea, and additional pressures that may emerge as interest rates continue to tighten in a sector that has relied heavily on debt financed expansion. We will continue to encourage the necessary changes across the sector to ensure a socially and financially sustainable model of elderly care.

Japan Exchange Group | Financials | Japan

Background

As part of a series of collaborative engagements with Japanese market regulators, we had a call coordinated by the Asian Corporate Governance Association (ACGA) with Japan Exchange (JPX). This call was a follow-up from an earlier investor letter that we had signed requesting JPX to introduce a minimum gender diversity requirement into listing requirements, details of which can be found in the 'Escalation' section of this chapter.

Action

The discussion focused on the corporate governance changes that had resulted from the revised corporate governance code, but we and other investors also highlighted ongoing concerns around how board independence criteria were being applied.

We were disappointed that JPX does not currently agree to apply a minimum gender diversity requirement, as it believes it is not suitable for the current Japanese market context due to the hierarchical culture and low levels of women in senior positions. The group also discussed the criteria of prime listing and encouraged JPX to reconsider minimum gender diversity requirements. JPX were open to investor feedback and welcomed investors to share specific empirical evidence in the Japanese context on why it is beneficial to set a minimum gender threshold.

Outcome

We will continue the dialogue via the ACGA Japan working group.

Climate Action 100+ – Continuing to drive best practice

Background

We are a member of the Climate Action 100+ collaborative engagement initiative, which aims to encourage companies to set robust decarbonisation strategies. We are co-leads on eight engagements and support a further 40. We have been actively involved in shareholder proposals, engagements and key votes as a result of our participation in this collaboration.

Action

We engaged Bunge before their AGM to push for more details on its climate strategy and to commit to net-zero. While the engagement was positive in tone, we voted against the sustainability committee chair to highlight the need for clarity on strategy and oversight.

We supported our CA100+ co-leads at Volkswagen to file an amendment to ensure that future sustainability reporting includes an assessment of their lobbying impacts and alignment with its climate goals. Volkswagen rejected the proposal, and we voted against management on several items as a result.

Support for Shell's progress report fell in comparison to last year's support for their initial transition plans, from 89% to 80%. We continue to push the company to set absolute emission reduction targets. At ExxonMobil, support for a resolution on improved scenario analysis disclosure increased from 49% to 52% – we have since highlighted our expectations of the board's response to the vote.

We have also had success in gaining access to companies in Asia and the Middle East, with positive engagements with POSCO, China Shenhua, PTT and Saudi Aramco all indicating varying progress towards implementing their net zero strategies.

Outcome

As CA100+ engagements move into more technical areas like capex alignment and climate-related accounting factors, we hope to drive constant improvement in company disclosure and performance that spills over both into other sectors and into smaller companies, as well as helping to shape regulatory requirements.

FAIRR Initiative – Addressing risk in protein value chains:

FAIRR
A COLLER INITIATIVE

Background

We see significant social and environmental challenges in the protein value chain, as well as great opportunities for increasing positive impact on climate, nature, and people. Our long-term participation with FAIRR supports our reach and effectiveness through research, engagement, and policy development relating to these areas. During 2022, we continued to participate in multiple engagements on social and environmental issues.

Action

As part of our wider engagement on the protein transition, we engaged food manufacturers like **Mondelez** on protein diversification to address resource constraints, climate impacts and to capture changing consumer preferences. Recognising the vital role of workers in meat production, we participated in the initiative unpacking labour risk in global meat supply chains, engaging animal protein producers such as **Tyson** and **Cranswick** on labour standards. We also provided input into the engagement approach for waste & pollution, which launched during 2022. The initiative is part of FAIRR's wider approach to biodiversity and focuses on global meat producers including **Cranswick**, **JBS**, **Tyson**, and **WH Group**. The engagement aims to drive circularity on waste to reduce the pressure of pollution on the environment and to stimulate a transition towards sustainable agriculture including reduced fertiliser use to halt biodiversity loss. The initiative will also engage chemical companies providing enabling technologies such as bio-based alternatives to chemicals. We provided feedback on the company letters to ensure they were relevant and clearly stated the reasons for investor interest in these issues.

Outcome

We intend to remain actively involved in this engagement by encouraging corporate responses as well as leading the dialogue with one company.

Speaking with a unified voice can allow investors to communicate their concerns more effectively, whilst gaining power and legitimacy from the perspective of corporate management

Asia Research & Engagement (ARE) – Sustainable Proteins initiative

ARE
ASIA RESEARCH & ENGAGEMENT

Background

ARE is based in Singapore and active across the climate and sustainability space, including in research and engagement of food sector companies based in Asia. Our participation in ARE leverages our reach and supports our engagement on the protein transition and its importance for climate and nature impacts and opportunities to enhance public health.

Action

As a participant in the ARE Sustainable Proteins initiative, we engage companies including **China Mengniu Dairy, Inner Mongolia Yili**, and **Dali Foods Group** on adapting product portfolios, operations, and supply chains to develop robust strategies for addressing climate change and biodiversity loss. We view the collaboration as an important part of our engagement with Asian issuers and tailoring engagement for effectiveness in light of the local regulatory landscape and stakeholder views. For example, while meat consumption is on the increase in many developing countries, Asia has a long tradition of plant-based proteins and meat alternatives. And while stock exchanges have recently introduced requirements on increased environmental disclosure, the attention on public health information is lagging. During 2022, ARE and its investor members worked on a new platform including a vision, strategy, and an engagement tool which we have been actively involved in shaping.

Outcome

We believe that the Asia Protein Transition Platform, which launched in December, will strengthen engagement with issuers using benchmarking based on recognised frameworks and adapted to local market conditions.

Escalation

How we escalate active ownership activities.

Our equity and corporate credit escalation process leverages the unique rights available to holders of equity or corporate credit.

Voting rights generally apply to equities, therefore in instances where we hold equity and credit of an issuer, we look to escalate for the benefit of all our investments, including through consideration of votes cast. See Chapter 4 for more information on the exercise of voting rights.

The following illustrates our approach to escalation for equities and corporate credit (with voting action where applicable).

We seek to consistently apply our engagement and escalation approach to corporate issuers regardless of their geographic location or domicile market, though local regulation or norms may constrain us from taking certain actions.

Escalation in other asset classes, aside from equities and corporate credit, is more limited due to fewer options being available to security holders. In those asset classes we would apply our ownership rights, for example, through legal channels, and/or divestment.

In considering engagement escalation strategies, each quarter end, active ownership analysts make a case-by-case assessment of progress against the engagement objectives we have set for each issuer. We also annually review the responsiveness of companies to our engagement. Both data points feed into the escalation decision, and we escalate accordingly if we deem it appropriate to do so.

In selecting an escalation strategy, we consider aspects such as:

- Our clients' goals and preferences (which will determine whether their holdings participate in any escalation strategy)
- The level of responsiveness of the issuer
- The materiality of the topic
- The appropriate means to apply additional influence
- Whether the issue is best managed in a private or public forum
- The period in which we would pragmatically expect change
- Any inherent limitations or strategies for affecting change within certain sectors, company structures or geographies, such as the ability to file shareholder resolutions

Escalation activity takes place in collaboration with other departments within our firm.

As stewards of our clients' investments, we have at our disposal several different options for escalation. We have listed these below, along with any relevant 2022 examples.

Collaborative Engagement[14]**:** While we generally prefer to engage issuers in private to enable honest, open, and frank discussions, collaboration with other investors or stakeholders, might be an impactful engagement or escalation strategy. Given ownership of an issuer is often dispersed, for a stakeholder's voice to have weight it may require collaborative engagement to address issues effectively at the issuer or industry level. In certain circumstances we may support dialogue amongst investors and collaborative engagement where this contributes to the creation and protection of stakeholder value.

[14] Collaborative engagement is not exclusively used for escalation purposes but can also be used as standard engagement with other investors.

Example:
Mohawk Industries | Consumer Discretionary | United States

While our full approach to collaborative engagement and examples can be found in this chapter, we would like to highlight our engagement with **Mohawk Industries**, a flooring company. During 2022 we engaged the company on supply chain risk management, at first in one-to-one engagement, which given the company was called out for exposure to forced labour allegations in its PVC supply chain, we then escalated to collaborative engagement with the Investor Alliance for Human Rights, an initiative of the Interfaith Center on Corporate Responsibility (ICCR). We wrote to the Group Vice President of Sustainability to ask about efforts to address forced labour risks in the Company's PVC supply chains. This led to a joint investor call with the Vice President of Sustainability and representatives from legal on forced labour risks within their PVC supply chain. Overall, we believe this collaborative engagement has helped highlight the importance of human rights due diligence and risk mitigation to the company, through the number of participating investors.

Public statements: For both equity and corporate credit escalation issuing a public statement outlining disagreement with management's approach and formulating ESG best practices is an additional escalation option.

Example:
Japan Exchange Group | Financials | Japan

We signed a letter to Japan Exchange Group (JPX) with the Asian Corporate Governance Association (ACGA), where we encouraged better gender diversity at the board level for issuers listed on the prime market of the Tokyo Stock Exchange (TSE). The asks of JPX were: 1) to ensure that newly listed TSE Prime issuers must not have single-gender boards; 2) As soon as possible, all TSE Prime issuers would be mandated to have at least one (1) woman director, followed by a minimum of two within a reasonable period of time (ie, two to three years); 3) All Prime issues will be mandated to have at least three women directors or 30% of the board by the close of their AGM in calendar 2030. We subsequently had a joint investor call with TSE.

Filing shareholder resolutions: Filing an equity or bondholder resolution can be a key rallying point of an engagement campaign to change issuers' behaviour. Examples might include improving board accountability, executive pay practices, ESG-related disclosure, climate change action or employee welfare.

Example:
Tyson Foods | Consumer Staples | United States

In the reporting period, we have not filed or co-filed a shareholder proposal. However, as reported in our 2020 submission to the UK Stewardship Code for the entity that traded as BMO GAM (EMEA) at the time, we co-filed a shareholder proposal at Tyson Foods' AGM, asking for enhanced human rights reporting. The proposal received 78.7% support from independent investors (excluding the Tyson Limited Partnership, the company's controlling shareholder) at the AGM. During 2022, as part of our engagement project on mandatory human rights due diligence, we reached out to the company for dialogue on its strategy and disclosure. We highlighted our expectation that companies demonstrate their respect for human rights including by adopting and disclosing strong public commitments on human rights; explanations of rigorous human rights due diligence processes – including the framework to identify, assess risk, integrate assessment findings and to monitor the effectiveness of the framework; and transparent mechanisms that enable remediation of negative impacts. We intend to have a call with the company to discuss this.

Annual General Meetings (AGMs): Requesting a shareholder meeting or intervening at an AGM offer the opportunity for direct, public dialogue with boards and top executives. Interventions at AGMs can also trigger further dialogue with an issuer, paving the way to more in-depth engagement on an issue.

Example:
DBS Group | Financials | Singapore

On behalf of an investor coalition which we are part of, Asia Research & Engagement (ARE) asked multiple questions at **DBS Group's** AGM around the bank's short- and medium- term targets for financed emissions. In reply, the company published a suite of answers. This included a reference to the publication of a white paper with medium- and long-term decarbonisation targets for nine priority sectors in their portfolio in the second half of 2022. Indeed, in October 2022 DBS published targets covering seven sectors and set data disclosure targets for a further two sectors where data is preventing them from setting a target. We therefore recorded an engagement milestone.

Proxy voting: Voting against management on key resolutions sends a clear signal to issuers and can help with further

engagement efforts. Examples of votes against management can be found in Chapter 4. The majority of our votes are publicly disclosed, but currently remain separate to each legacy entity:

- CTML
- TAML
- CMIA

Partial or complete divestment: Where appropriate for client portfolios, re-weighting a position to reflect the investment risk of poor ESG practices or selling outright a holding can be a powerful signal of dissatisfaction in response to inadequate progress against objectives.

Example:
KDDI Corp | Communication Services | Japan

Background

Following the persistence of violence and human rights violations in Myanmar, we identified companies for targeted engagement to understand their involvement in Myanmar and the impact of the conflict on their operations and stakeholders and vice versa. One of these was KDDI, a leading Japanese telecommunications company held in a fund run by our Responsible Global Equities team[15]. It has been working in Myanmar with Myanmar Posts and Telecommunications (MPT), a local telecommunications company, since 2014, supporting its telecommunications services in the country. This is a very small slice of KDDI's business, but through the partnership, KDDI has played a vital role in expanding communications infrastructure, connectivity and access to information in Myanmar.

Action

Given the complexity and gravity of the issues of internet shutdowns and intercept surveillance, we escalated this engagement to dialogue with a senior executive at the company. Through the engagement, we learned that MPT runs the day-to-day operations, resulting in KDDI having limited power to influence change. KDDI can only request that MPT uphold human rights principles, but ultimately the decisions are made by MPT. We also learned that KDDI cannot control consumers' metadata as the data is not saved in any centre run by KDDI and is not proprietary. In the event of an exit by KDDI, MPT would continue to operate with access to this data which the military could request access to putting human rights defenders and other activists at risk. Beyond engagement with KDDI, we also sought advice from our Responsible Investment Advisory Council (RIAC),[16] whose expertise can help inform our approach to issues such as this.

Outcome

Although the company was open to dialogue on the issue of human rights violations in Myanmar, overall the Responsible Global Equities team were not assured that its operational structure in Myanmar provided it with sufficient leverage to avoid complicity in human rights abuses.

Impact on investment case: The Responsible Global Equities team decided to divest.

[15] Refers to the team within TAML.

[16] RIAC comprises five external sustainability experts and one internal employee who bring experience across responsible investment, environmental, social and ethical issues. They help us maintain the integrity of the standards by which our responsible and sustainable funds are run, providing advice on ethical and sustainability criteria. Their insights also feed into our broader responsible investment activities.

CHAPTER 4

Voting and corporate governance

How we actively exercise our rights and responsibilities

Good corporate governance is at the heart of any successful business, instrumental in supporting the delivery of strategic objectives and in driving sustainable performance, as well as maintaining legal requirements and ethical standing.

Over the past decade or more, we have supported the development of Corporate Governance Codes by international investor associations and local market bodies, with best practice guidance for companies on key governance topics, from board composition to shareholder rights.

Our own **Corporate Governance Guidelines** cover these topics, crystallise our global stewardship philosophy and underpin our approach to voting at the shareholder meetings of our investee companies. These were developed in 2022 and went live in January 2023. RI professionals are responsible for these guidelines and review them annually to ensure they reflect the evolving wishes of our clients and industry good practice. Annual approval is sought from regional investment committees of the three legal entities (Investment Oversight Committee for the US), Investment Management Committee (for EMEA/APAC), and EMEA Investment Committee (for CTML). However, the key tenets of our approach remain consistent.

We believe that voting is an impactful tool for driving improvement in company practices and market standards, and re-enforcing objectives set in engagement on ESG topics

We expect companies to have:

- Empowered and effective board and management structures
- Effective systems of internal control and risk management
- Commitment towards creating a culture of transparency and accountability and sound business ethics
- Remuneration policies that reward the creation of long-term shareholder value
- Systems to identify, assess and manage risks, including those associated with social and environmental factors

We seek to exercise voting rights on our clients' behalf at all shareholder meetings associated with the holdings of the investment mandates we manage. This provides the opportunity to express our preferences acting for our clients on relevant aspects of an issuer's business and to promote good practice, or express our concerns identified through research and engagement, including when escalation becomes necessary (see Chapter 3).

We believe that voting is an impactful tool for driving improvement in company practices and market standards, as well as for re-enforcing objectives set in engagement on ESG topics. We explain our understanding of good governance and our approach to voting to our key investee companies. We believe our approach increases the potential to generate better long-term, risk adjusted returns for our clients.

While we aim to exercise voting rights on all securities we manage for clients, that may not always be practical due to market-specific reasons such as share blocking or power of attorney requirements.

Disclosure

We are committed to transparency in our voting activity. We publish our full voting record with rationales for proposals where we did not support management, among others. Our disclosures list the issuer name, meeting date, proposal name and how we cast the vote. All votes cast against management are accompanied by a short-form rationale for the dissent.

As per Chapter 3, our different legal entities currently disclose voting activity separately at different intervals:

- CTML
- TAML
- CMIA

We also report on voting activity to clients, as described in Chapter 5.

For 2022, TAML and CTML ran two separate, independent proxy voting processes, including independent proxy voting policies. Since Q2 2022 the RI, legal, compliance, tax and finance teams of both entities have been developing a harmonised, **global proxy voting policy** and process, which we began to implement in January 2023. For the purposes of this report, we will outline this harmonised policy and process, but disclose 2022 activity separately.

During the 12 months to 31 December 2022:

> TAML/CMIA cast votes on 68,420 proposals at 6,610 shareholder and bondholder meetings in 64 markets, representing 98.5% of the ballots which we were entitled to vote on clients' behalf and apply our custom voting policy. We cast dissenting votes (i.e., any vote against management recommendations) on 12% of total proposals.

> CTML cast votes on over 116,542 proposals at 11,686 shareholder and bondholder meetings in 62 markets, representing 97% of the ballots which we were entitled to vote on clients' behalf and apply our custom voting policy. We cast dissenting votes (i.e., any vote against management recommendations) on 20% of total proposals.

Custom policy

Our Corporate Governance Guidelines form the basis for our custom voting policy. The principles describe our views on key ESG issues used to inform our monitoring and assessment of issuers and support the approach we use to make our voting decisions consistently across the firm. We follow internal regional voting policy benchmarks to adhere to local norms and regulations.

Together with our internal research insights, this provides the framework within which custom voting policy recommendations are applied, and to flag issues and inform discussions between our RI professionals and portfolio managers making the voting decisions.

Amendments to custom policy

Each year our RI and proxy voting professionals lead a review of our custom voting policy, with a view to updating, where necessary, the principles that form the basis of our custom policy.

The custom policy review is informed by multiple inputs, including: (i) regulatory changes, (ii) voting trends or voting results, (iii) observations from our experience researching issues and implementing votes, (iv) commentary from portfolio managers and analysts, and (v) feedback from clients. Amendments are approved by relevant governance committees across the firm.

The following amendments became effective in 2022:

- **TAML/CMIA:**
  - Migrated to utilisation of ISS Director independence determinations.
  - Enhanced our voting stance for companies with no or low gender diversity, and increased our gender diversity threshold level within the US market.
  - Aligned with CTML custom policy on all environmental and social shareholder proposals.
- **CTML**
  - Integrated stricter ISS director independence determinations for tenure where there is regulatory or market guidance, and updated US and Canada expectations for board refreshment and key committee chair independence.
  - Enhanced our voting stance for companies with no or low gender diversity, and increased threshold within markets where appropriate.
  - Included additional requirements for companies around ESG oversight and dual class structures.

Subject to any escalations as discussed below, final voting decisions are made under a process informed by: (i) our custom voting policy, (ii) prior research and engagements, (iii) our voting watchlists, and (iv) our RI professionals working in collaboration with portfolio managers and analysts who own or research issuers. Our proxy voting analysts, who are now part of the wider

active ownership team, serve as the central point of oversight of all votes cast and have responsibility for the implementation of our custom voting policy, including any matters requiring escalation as detailed below.

We use a risk-based approach to achieve high-quality voting while delivering comprehensive coverage of a wide portfolio of stocks.

Our proxy voting analysts review more complex and sensitive cases, and partner with ISS (TAML and CMIA also partner with Glass Lewis) to deliver voting on the more simple, routine votes through the application of detailed in-house voting policies based on the Corporate Governance Guidelines, or for TAML and CMIA the Corporate Governance and Proxy Voting Guidelines.

The subset of votes we review manually is typically around 20% of total votes cast. Portfolio managers hold final vote authority regardless of issues to be voted on, holdings size, or the market in which votes will be cast.

The corporate governance analysts and proxy voting analysts liaise with portfolio managers to determine an appropriate vote and coordinate voting decisions across various investment teams.

For matters of escalation and where no consensus could be reached between portfolio managers and the corporate governance and proxy voting analyst for a specific vote, legacy entities operated escalation bodies during 2022 as follows:

- **CMIA:** The Proxy Voting Committee served as vote escalation and policy development function.
- **TAML:** Equity desks had the option of aligning their voting decision with that of the Proxy Voting Committee.
- **CTML:** Prior to the integration, the Proxy Working Group (PWG) served as a vote escalation and policy development function. During 2022, the PWG was put on hold while we worked on developing a new, integrated process. In addition, while during 2022 there were vote discussions between investment and RI professionals, there were no votes that would have required escalation as alignment between the teams was reached in all cases.

The proxy voting analysts cast votes on a proxy voting platform hosted by ISS. In addition, we have retained proxy advisory firms Glass, Lewis & Co., Institutional Voting Information Service (IVIS) (in the UK) and ISS to provide proxy research services and context, data and differing perspectives on voting matters. Our firm undertakes due diligence and regular monitoring of our third-party service providers, as detailed in Chapter 7. To supplement our internal research and proxy advisor research, we may also use additional research from non-governmental organisations, industry associations, academic institutions, or brokers.

The proxy voting system is used to identify forthcoming company meetings, based on the receipt of ballots from custodians, and it confirms that these voting decisions are communicated to custodians on time for them to be registered at company meetings. From this an automated log is compiled of upcoming outstanding votes to verify that all requested voting decisions are inputted to the proxy voting system in time for them to be communicated to the custodian/investee company.

To assist in accommodating variances in our approach to a specific issuer, region, sector or bespoke list of companies (often as a result of engagement), we are able to use watchlists loaded onto the voting platform to flag a meeting of importance. These allow us to systematically flag various issues for different funds, regions or geographies as considered necessary. Issuers flagged on a watchlist undergo additional analysis by our RI analysts, who make voting recommendations to portfolio managers and analysts.

Key factors for watchlist inclusion include:

- Low/no board gender diversity
- Conflict of interest companies
- ESG controversies
- FTSE 100 ethnic/racial diversity
- Any large holdings

The above voting guidelines are applied to all shareholder meetings outside of our Conflicts of Interest Policy. ISS voting policy and recommendations are applied to meetings where we are deemed to be conflicted. Please see Chapter 8 for further details.

Discover the breakdown of **our 2022 voting activity**

TAML/CMIA

6,610
total meetings voted

68,420
total proposals voted

12%
of all proposals where we voted against management

For these figures we sought independent limited assurance from KPMG.
See p98 for more details.

Management and shareholder-sponsored proposals voted:

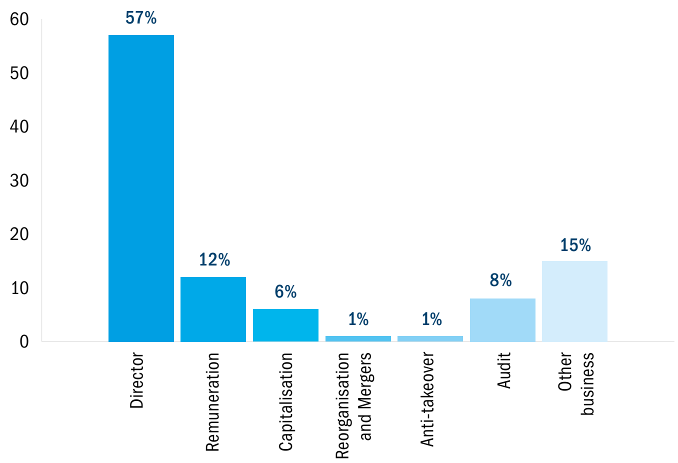
Management-sponsored proposals	Shareholder-sponsored proposals
66,950 **87% For**	1,470 **52% For**

Environmental, social and governance proposals voted:

E proposals	S proposal	G proposals
226 **45% For**	443 **75% For**	67,625 **87% For**

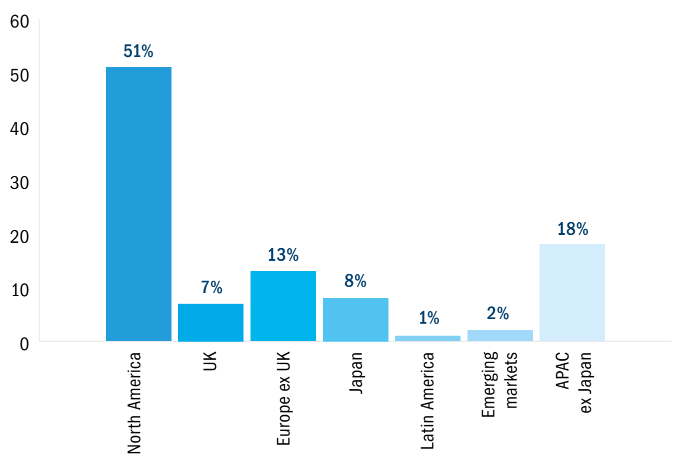
We also counted 126 votes that were a mix of ESG issues, that cannot be categorised into the E, S or G groups. Of these, we voted 37% in favour of the proposal.

Voting activity by topic:



Source: Columbia Threadneedle Investments, as at 31 December 2022

Voting activity by region:



Source: Columbia Threadneedle Investments, as at 31 December 2022

CTML

11,686
total meetings voted

116,542
total proposals voted

20%
of all proposals where we voted against management

For these figures we sought independent limited assurance from KPMG. See p98 for more details.

Management and shareholder-sponsored proposals voted:

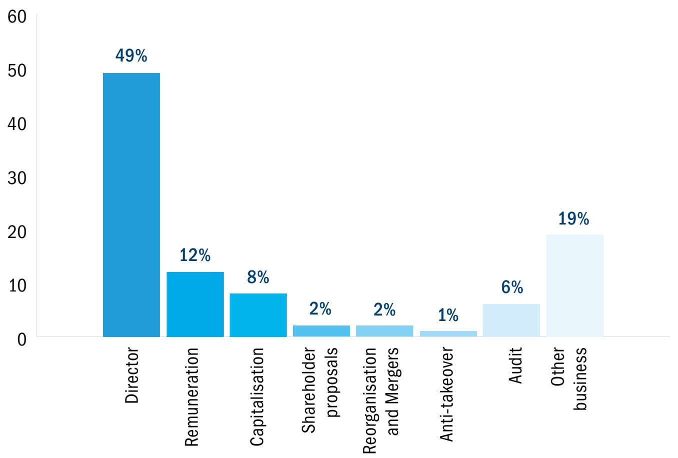
Management-sponsored proposals	Shareholder-sponsored proposals
114,071 **71% For**	2,471 **65% For**

Environmental, social and governance proposals voted:

E proposals	S proposal	G proposals
367 **56% For**	700 **70% For**	115,475 **71% For**

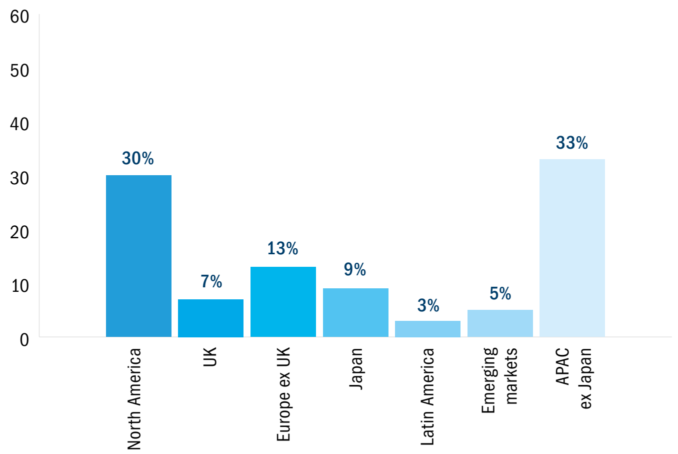
178 of these proposals were a mix of ESG issues, where we overall voted 46% in favour.

Voting activity by topic:



Source: Columbia Threadneedle Investments, as at 31 December 2022

Voting activity by region:



Source: Columbia Threadneedle Investments, as at 31 December 2022

Voting in fixed income

Bondholder meetings are less frequent in comparison to shareholder meetings but are often the result of a significant corporate event, such as restructurings and reorganisations of issuers' capital structures.

We believe that active consideration of creditors' interests in company engagement helps investors to address the issue of short-termism. Namely, by taking a "universal investor" approach to a company that encompasses both debt and equity perspectives, unduly risky behaviour that promotes short term gains for shareholders – at the expense of creditors – might be discouraged. At the same time, investors should encourage a more balanced, sustainable corporate strategy and financial policy that is better positioned to stand the test of time.

Therefore, in our engagement as a bondholder, we foremost encourage companies to manage these risks actively to protect their underlying credit quality and financial strength.

We will vote bondholder meetings if the portfolio manager considers it to be appropriate to do so. The opportunity for investors to meet issuers around new issuance also gives some leverage for engagement. For TAML/CMIA, during 2022 there were 93 voting proposals for 13 corporate credit issuers on which we either provided consent or exercised voting rights as bondholders of securities held in our corporate investment grade or high yield portfolios, and we were supportive of the proposed actions on all proposals. CTML did not vote in any bondholder meetings.

The following three points currently apply to CTML only:

Seeking amendments to terms and conditions in indentures or contracts: From our experience, such opportunities rarely exist within public fixed income markets because they are from regular issuers with standard terms from well-established issuance programmes. The exceptions will tend to be in high yield and emerging markets, where investors are involved earlier in the process to gauge demand and discuss terms. Our approach would be to attend roadshows or to provide feedback regarding our interest to the lead managers, and where applicable we would make suggestions for amendments, such as change of control, leverage limits, etc.

Impairment rights: In the rare event of a company defaulting, we will look to join other investors to negotiate an outcome that is in the best interest of our clients.

Reviewing prospectus and transaction documents: As part of the credit research process, assessing terms and conditions relating to issues and issuers from prospectuses and transaction documents forms part of our credit assessment and helps us to understand fair value across different issuers and securities.

Voting in multi asset

Our multi asset business invests in underlying Columbia Threadneedle equity and fixed income products, as well as equity and fixed income securities, and alternatives, all of which reflect to differing degrees our approach to integrating active ownership. For investments in externally managed funds, we exercise ownership rights through our operational due diligence activities during the selection phase, which include ESG elements. Where permissible the Columbia Threadneedle's proxy voting policy will be applied.

Voting in other asset classes

In 2022 we did not cast any votes in respect of assets held in non-corporate asset classes (e.g., infrastructure, real estate, municipal bonds, etc.).

Client-directed voting

Voting in segregated accounts is governed by the terms of clients' investment management agreements. In nearly all instances, clients vest voting authority with us, although some may reserve the right to withdraw delegation of proxy voting authority and instead direct a vote in limited circumstances (including an override of our custom policy). In certain instances, clients may wish to retain voting authority on all matters.

We vote all shares in pooled funds and do not presently have a mechanism to gather input and efficiently vote in accordance with retail shareholders' wishes. We believe clarity on industry standards of practice applicable to a shareholder 'expression of wish' is necessary to facilitate the evolution of market practice. We will, therefore, continue to engage with the investor community to seek to develop standards, guidelines, and best practices to facilitate progress across the industry.

Managing stock lending/recalls for voting

TAML/CMIA: During 2022, we did not undertake stock lending activities on funds and accounts we manage. However, our clients may participate in stock lending programmes, in segregated mandates. Where clients provide for it, and upon their request, we may engage with them to seek the recall of stock loaned out for proxy voting purposes. There were no client-directed stock recalls during 2022.

CTML: A stock lending programme is in operation for certain funds, as we consider this to be an important factor in preserving the liquidity of markets and in facilitating hedging strategies; it also provides investors with an additional return. For those portfolio managers wishing to be involved in stock lending, we accommodate this on a fund-by-fund basis. Likewise, we can exclude funds or individual stocks from the lending programme as required. Stock may be lent within an agreed threshold thereby ensuring that a vote is cast in line with our voting policy and any concerns are expressed directly through a letter to the company if necessary. Where significant voting issues arise, we may recommend stopping any further lending of stock, and, if necessary, will seek, on a reasonable-efforts basis, to recall all lent stock over the voting period. Examples of when this may occur are on votes of strategic importance, where a vote is considered to be close and controversial and we disagree with management's approach, an activist situation or where an issue or does not meet our voting policy or environmental policies. There were no client-directed stock recalls during 2022.

Significant votes and outcomes and the Shareholder Rights Directive II

TAML and CMIA:

Below are some examples of our votes and their outcomes during 2022. We have sought to provide votes with a representative balance of outcomes, recognising that many do not result in optimal outcomes despite our best efforts.

Issuer	AGM date	Vote matter	How we voted	Outcome
General Mills, Inc. **Consumer Staples** **United States**	27 September 2022	Within the General Mills annual meeting there was a Shareholder proposal that asked for a report on absolute plastic packaging use reduction.	We voted in support of the shareholder proposal and against management on this shareholder proposal.	Previous research from the Thematic Responsible Investment team identified General Mills as among relative laggards on plastic disclosure and progress/ level of ambition on packaging goals relative to some CPG peers. For instance, it is targeting 2030 as a timeline for recyclability, vs. 2025 for peers, and provided no disclosure on levels of recycled content in packaging. This will become an increasing risk for General Mills as consumer pressure grows on packaging sustainability, and potentially leaves General Mills behind the curve in its preparedness for regulation such as California's Extended Producer Responsibility legislation which will incur charges for CPG brands along with requirements for recycled content and recyclability in packaging. Better reporting and disclosure will enable us to better assess these risks.
Dassault Systèmes SA **Information Technology** **France**	19 May 2022	Delegate Powers to the Board to Approve Merger by Absorption by the Company.	Voted against the management proposal as this is deemed to not be in the best interests of shareholders.	After reviewing their respective arguments, it is clear there is risk in approving this proposal by delegating such authority to management without consent of shareholders. The argument that these proposals are supportable because shareholders could call a special meeting if they object is not a functional proposal as the timing would not allow such an action to be taken. We therefore prefer a more measured, prudent course of action and believe it in clients' best interest to vote Against.
Airbus SE	12 April 2022	Approve Implementation of Remuneration Policy.	Voted against the management proposal as this is deemed to not be in the best interests of shareholders.	In light of these considerations, in combination with the lack of discussion following a significant number of shareholders abstaining from the prior year remuneration report, we do not believe that the Company's remuneration report merits shareholders' support at this time.
Honeywell	25 April 2022	Report on Climate Lobbying and Reports on Environmental and Social Due Diligence.	Voted for the Shareholder proposal as this is deemed to be in the best interests of shareholders.	**Climate lobbying:** Honeywell has received mixed feedback from third-party analyses of its climate lobbying record. The Climate Related Lobbying Report only identifies activities of trade associations based on public statements of the organisation but neglects an analysis of actual lobbying conducted by these organisations. It also neglects organisations that may lobby on the company's behalf but are not trade associations, such as 527 organisations. Given the criticisms of Honeywell's role in different trade associations, shareholders may benefit from an evaluation that includes all trade association lobbying activities and a report that provides information on climate lobbying by trade associations other than the Chamber of Commerce, American Fuel and Petrochemical Manufacturers, and the National Association of Manufacturers. Therefore, support for this proposal is warranted at this time. **Report on Environmental and Social Due Diligence:** A vote 'for' additional reporting on environmental and social due diligence is warranted, given the extent of the company's risk exposure to environmental and social impacts from current and past operations. Honeywell has made positive steps with improved reporting on its due diligence (likely in response to this proposal). However, much of this reporting is focused on legacy projects. Stakeholder engagement processes are not clearly integrated to the whole of the company's 'plan-do-check-act' framework and there is not information on how the company evaluates the sufficiency of engagement processes, or of how learnings from stakeholder engagement are integrated to new or remediation projects. Honeywell has an ESG Materiality score of 2, but this does not capture the breadth of the company's ESG risks as MSCI is not providing datapoints on SASB factors on product safety and toxic emissions and pollution. In the absence of MSCI data, additional company disclosure would be helpful.

CTML

We have selected significant votes from our voting record, consistent with the Shareholder Rights Directive II. Our methodology for selection is based on characteristics of our global voting universe, including aggregate size of holdings in the company, number of clients holding the stock, significance of the voting issue for a company or in the relevant market, impact on shareholder value and materiality of the vote to engagement outcomes.

We have also tracked the outcomes of these votes (where possible, detailed below) and have found that in most instances, the issues we had identified also represented a concern for many other investors. Across these meetings and other high votes against management in our portfolio (for example, over 20%), we expect companies to engage with investors and disclose how they are addressing the concerns raised.

Issuer	AGM date	Vote matter	How we voted	Outcome
NextEra Energy **Utilities** **United States**	19 May 2022	NextEra had not met certain climate disclosure criteria that we had set for carbon-intensive companies e.g., companies that are captured in the Climate Action 100+ (CA100+), which NextEra is included. Prior to the AGM, we had assessed that NextEra had not set an adequate net zero ambition, nor had they included the requisite transparency we as investors wished to see from CA100+ companies.	We took a targeted approach and held certain members of board leadership accountable by voting against their renominations.	In June of 2022, the company announced their ambition to achieve net zero scope 1 and scope 2 carbon emissions by “no later than 2045,” calling it a “Real Zero™” goal. The ambition and subsequent disclosure corroborating this goal has been well received by our experts and we will continue to engage with the company to assess interim developments and strategic planning.
Fujitec **Industrials** **Japan**	23 June 2022	Oasis Management, the second largest shareholder of Fujitec, started a campaign to urge shareholders to oppose the reappointment of President Takakazu Uchiyama at the AGM. Oasis revealed that Fujitec failed to disclose various inappropriate, related-party transactions linked to President Takakazu Uchiyama's family and his personal interests. To name a few allegations, Fujitec paid off loans for Uchiyama-linked entities, purchased failed real estate investments to hide away those failures, and transfer shareholder assets to private family interests. The company countered with an attorney’s investigation report, but investors were still concerned about the depth of the investigation which covers seven allegations in only 10 pages.	We voted against President Takakazu Uchiyama due to the company’s response falling short of shareholder expectations.	Takakazu Uchiyama resigned from his position as the chair and CEO on the day prior to the AGM but was again reappointed as the company chair after the AGM. The series of actions helped him to dodge public humiliation, but further aggravated our concerns about corporate governance in Japan.
AGL Energy **Utilities** **Australia**	15 November 2022	After a significant management and board refreshment in September, with the current interim CEO and CFOs now in place and several new board members, the company announced a strategic review and the culmination of this was their Climate Transition Action Plan, among some other strategic aspects. Overall, in this context of new board members and also management uncertainty, as well as considering the new Australian federal government which submitted an updated Nationally Determined Contribution in June 2022, with a new target of a 43% reduction of greenhouse gas emissions by 2030 below 2005 levels, it seems like this transition plan and strategic review was slightly rushed, won’t necessarily be implemented by the current management, and doesn’t necessarily full take into account any future climate policy changes. On the director elections, Galipea Partnership also proposed four independent director candidates to the board and the management only supported one of them (Mark Twidell).	We voted against AGL Energy’s Climate Transition Action Plan. We supported all board-proposed and shareholder-proposed director candidates, even though ACCR, (a shareholder advocacy organisation) called for shareholders to vote against the chair (Patricia McKenzie) requiring accountability for her past decisions. In our view, the Chair (Patricia McKenzie) and one other director (Mark Bloom) are the only directors who were on the board during the demerger process, we think we should still support them for continuity reasons. We also voted against the remuneration report due to concerns about one-off payments to senior executives without clear linkage to performance and shareholder value creation.	Four directors nominated by the largest shareholder received majority support and will join the company board. In addition, AGL also received the first strike on remuneration, as more than 25% of the votes were cast against this resolution.

Issuer	AGM date	Vote matter	How we voted	Outcome
Informa Plc **Communication Services** **United Kingdom**		Whilst the 2022 proxy season had its fair share of pay revolts, when Informa PLC put forward a remuneration report that amounted to a £2.7 million pay package to Chief Executive Stephen Carter, it's not surprising that over 70% of the shareholder base were not supportive. The company has faced a string of significant dissent over its pay-related proposals since 2018. The 2022 remuneration report was particularly egregious, given the salary increases to the CEO and CFO and the decision to go ahead with the Equity Revitalisation Plan which delivered a restricted share award of 600% of salary to the CEO. Further, on the back of the pandemic, where dividends were suspended and the company undertook a £1 billion capital raise, we had specific concerns over the plans link between pay and performance. In addition, we took exception to the lack of stretching performance targets on executive equity awards and the replacement of performance metrics under the in-flight LTIP that would not have paid out.	In the context of a less than stellar shareholder experience, such a large pay-out was considered inappropriate. We therefore voted against the Directors' Remuneration Report.	In December, Informa stated that the board has engaged with shareholders, both before and after the 2022 AGM, to better understand perspectives on historical remuneration decisions. The company stated that dialogue with shareholders this year has not only influenced the design of the approved forward-looking policy, but also informed their approach to the implementation of the policy moving forward.

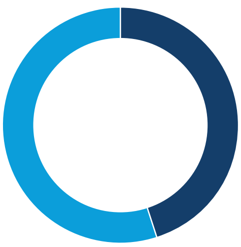
CHAPTER 5

Meeting our clients' needs

Columbia Threadneedle is a global asset manager providing a broad range of investment strategies and solutions for individual, institutional and corporate clients around the world. With more than 2,700 people, including over 650 investment professionals based in North America, Europe and Asia, we manage assets across developed and emerging market equities, fixed income, asset allocation solutions, and alternatives.

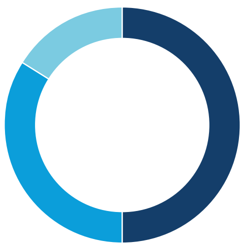
As at 31 December 2022, Columbia Threadneedle managed £486bn of assets.
Discover the breakdown of our clients and asset classes:

AUM by client type (%)



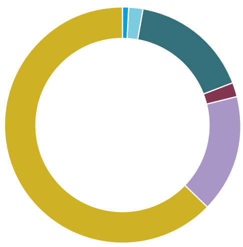
		Total GBP
Institutional	45%	220.7bn
Retail	55%	265.7bn

AUM by asset class (%)



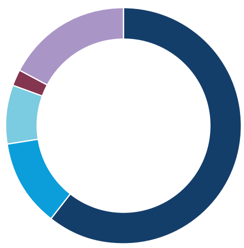
		Total GBP
Equity	50%	242.6bn
Fixed Income	34%	165.6bn
Alternatives	16%	78.2bn

AUM by client region (%)



		Total GBP
Africa	0%	1.1bn
Asia Pacific ex. Japan	1%	5.1bn
Canada	2%	10.4bn
Europe ex. UK	16%	79.2bn
Japan	0%	1.5bn
Latin America	0%	0.5bn
Middle East	2%	8.8bn
United Kingdom	16%	79.2bn
United States	62%	300.6bn

AUM by region (%)



		Total GBP
United States	60%	291.6bn
United Kingdom	12%	60.2bn
Europe	8%	38.7bn
Asia Pacific ex. Japan	0%	1.5bn
Asia Pacific inc. Japan	0%	5.45m
Japan	0%	1.2bn
Emerging Markets	2%	10.1bn
Global	17%	83.2bn

Assets under engagement

£926bn external ***reo***®client assets under engagement.

Source for all figures above: Columbia Threadneedle Investments, as at 31 December 2022. Columbia Threadneedle Investments is the global brand name of the group of companies that together make up the asset management business of Ameriprise Financial, Inc. that includes the asset management business formerly trading as BMO GAM EMEA. Includes Pyrford International, which submit their own Stewardship Report to the FRC.

Aligning our investment and engagement time horizons with clients' goals

Investment teams are supported by ESG research and ESG integration tools, as described in Chapter 2, but operate with a high degree of autonomy in developing their own investment approach. This enables us to accommodate a wide range of investment styles and offer our clients a diverse set of strategies that invest over different time horizons. For various fundamental bottom-up strategies, investment teams look to invest in quality companies and hold them over the long term, resulting in an investment horizon of at least three to five years and some securities are held in the portfolio 10 years or more. This aligns with our firmwide belief that our RI approach increases the potential to generate better long-term, risk adjusted returns for our clients.

Our obligations as investors do not end at the point where an investment decision is made. We believe that active management

Tencent 腾讯

Engagement

2008
- Initiated engagement. Key ask was to improve **carbon emissions** management and reporting.

2011
- Expanded engagement to include **anti-bribery and corruption** issues.

2015
- Initiated dialogue on **board effectiveness** and independence.

2016
- Initiated dialogue on **data privacy and security** issues.
- Continued our engagement on **board effectiveness**.

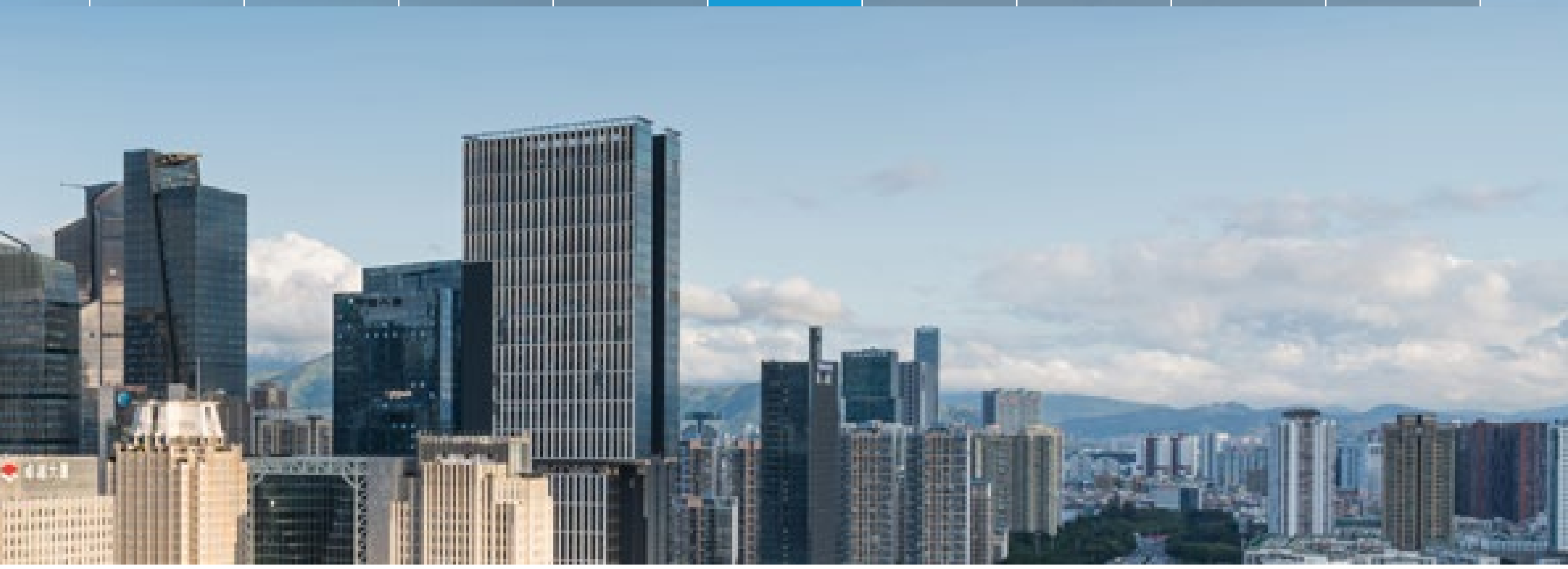
2017

2018
- Continued engagement on **data privacy and security**.
- Continued our dialogue on **board composition**.
- Re-initiated engagement on **environmental management** issues; carbon emissions, energy and water efficiency.

Milestones

2017
- Developed and published an **anti-fraud and whistleblowing policy** that calls for zero tolerance in relation to corrupt or fraudulent activities.

2018
- Improvements **in data privacy and security** management systems.



of ESG issues is in the best economic interest of our clients, and we therefore engage investee companies to encourage them to improve performance and move towards best practice in the management of ESG issues. Investment teams may engage with companies on a range of issues over the course of their holding. Engagements are determined based on financial materiality, so duration may be shortened or prolonged depending on the materiality of the issues, position in the strategy, or outcomes of the engagement.

Long-term engagement in practice

In its 2021 Stewardship Report, CTML reported its engagement timeline with Taiwan Semiconductor Manufacturing Company from 2009 to 2021. There were no major flags signalling the need to engage in 2022 and therefore we have instead reverted to the Tencent engagement example, which was last reported in 2020, to demonstrate how engagement with the company evolved over 2021 and 2022:

2019

- Assigned responsibility for **ESG oversight** to the board.
- **New independent director** appointed.
- Revamped approach to **IT security**.

2020

- Continued engagement on **board composition and effectiveness**.

- Improved disclosure on the **data privacy** of users.
- Responded to the CDP **climate change** questionnaire.

2021

- **2021 Targets:** Initiate dialogue on **board diversity**, external **auditor tenure, product quality and safety** and **Net Zero targets**.
- Initiated dialogue on **board refreshment, auditor external auditor tenure, net zero targets, anti-trust** and **responsible marketing**.

- Responded to the CDP **climate change** questionnaire.
- Announced a **net zero commitment**.
- Set and published **environmental KPIs**.

2022

- **2022 Targets:** Engage to encourage **diversity & inclusion** targets, improved **employee engagement reporting**, improved **oversight process of subsidiaries**, and **grievance mechanism reporting**.
- Initiated dialogue on **human capital management, diversity & inclusion, governance** and **Russia**.
- Initiated dialogue on **ethical artificial intelligence**.
- Continued engagement on **net zero targets**.
- Continued engagement on **data privacy**.

- Improved **climate-related disclosures**.

2023

- **2023 Targets:** Engage to improve **workplace disclosure**, set **diversity & inclusion** targets, improve **oversight of subsidiaries**, improve **board effectiveness and diversity**.

Client engagement

Client focus is one of our core values and guides us in everything we do. We view both creating value and providing excellent service as critically important aspects of our business. We identify and understand our clients' unique and diverse needs, providing them with the necessary time, resources, and personal attention, as well as investment strategies and structures that meet their needs.

As part of account setup and onboarding, our dedicated relationship management teams build close client relationships to understand specific investment goals, objectives and risk tolerances, which helps to develop an investment and portfolio transition plan in conjunction with the portfolio management and operational teams. These goals, objectives and risk tolerances may also relate to ESG and stewardship matters. Ongoing relationship meetings, mandate/portfolio review meetings and consultant/intermediary due diligence reviews allow us to communicate with clients directly, providing them with important updates, thoughts on market developments and asset allocation trends, as well as seeking their views. For many of our clients, ESG and stewardship themes will form part of our ongoing discussions with our distribution teams, and investment and RI professionals.

Recognising that many of our institutional clients rely on input from their consultants, we have a dedicated consultant relations team working in conjunction with our relationship managers. Our engagement with consultants and clients may manifest itself in a number of ways:

- ESG-focused meetings.
- Data requests on stewardship activity and sustainability metrics.
- Regular reporting on engagement (most client updates include engagement activity information). We regularly provide proxy voting data via the Pensions and Lifetime Savings Association's template and engagement data via the Investment Consultants Sustainability Working Group's template, which we were involved in the consultation for in 2020. Both of these streamline the way consultants collect voting and engagement data, which they have a regulatory duty to report on.
- When designing UK institutional mandates, we review and integrate the requirements set out in pension clients' Statement of Investment Principles, which can include specific ESG considerations – and integrate these into reporting activity.
- Some of our Dutch Fiduciary and ***reo***® clients receive, upon request and on an ad-hoc basis guidance on areas such as ESG integration in investment portfolios, and net zero methodologies and implementation.

Consultant feedback is shared and discussed between relevant teams, and any perceived shortcomings of our policies and approaches addressed.

Following changes in Europe to the MiFID II regulation, we updated our procedures when assessing our European clients' (contracting with our Luxembourg or Netherlands entities) suitability preferences to explicitly include sustainability. We have designed a questionnaire to assess whether clients have any sustainability preferences and if so, what these are across the three sustainability categories defined in the MiFID II suitability rules. We have also updated our Suitability Compliance Policy to ensure that client preferences are reflected in fund agreements.

In addition, policies and approaches are reviewed and debated with fund boards. During 2022, topics reviewed and debated with fund boards – including their representation and challenge around meeting client needs and interests – included the creation of one harmonised global proxy voting process, policy and engagement approach, as well as committing certain funds to our net zero methodology and upgrading certain funds from Article 8 to Article 9 under EU SFDR. We were pleased to receive approvals by fund boards for each of these actions.

reo® client consultation

We can now also leverage insights gained through servicing our ***reo***®clients as well as the management of the assets we invest in on behalf of our clients to gauge priority ESG issues for our clients and engagement objectives. We run a biannual client consultation process with our ***reo***®clients to discuss and agree shared thematic priorities and objectives. These client views are typically representative of broader industry trends and concerns. Further prioritisation of engagement is driven by an assessment of materiality across the holdings and issues identified within the funds of ***reo***®clients, alongside those identified in the funds of our managed asset clients. Following internal and external – including ***reo***®clients – consultations in 2022, we identified six existing engagement projects and four new engagement projects which will be pursued in 2023 across multiple sectors and involving multiple companies.

Client events

In 2022, we hosted several client events to facilitate knowledge transfer and to explore ESG topics. These ranged from introductory sessions that explained active ownership and sustainable investment to more specific subjects such as emerging markets corporate governance. We have responded to client demand to engage our clients according to those issues we know to be most important to them; for example, we hosted a webinar to provide an overview of our net zero methodology, which was attended by over 200 clients and prospects.

In February 2022, we hosted a global client webinar on ESG trends for the year ahead. Specifically, we discussed climate and energy, biodiversity, and green mobility. In June, we hosted a responsible investment seminar and a geopolitical seminar for Dutch pension fund clients. The theme of the RI seminar was using ESG instruments for impact and the sessions covered were shareholder resolutions, impact allocations, and

RI implementation throughout the fiduciary investment process. We had internal as well as external speakers from Follow This (an organisation representing green shareholders) and the Dutch pension fund for the retail sector. The theme of the geopolitical seminar was energy crisis and energy transition. Speakers again included internal and external experts.

Client communication

Reporting to clients in a transparent manner remains a highly important aspect of our RI capability. During 2022, client reporting outputs remained largely separate between TAML and CTML:

Content	Description	Audience	Frequency	Legal entity coverage
Stewardship Report	In-depth information on our stewardship activity to satisfy the UK Stewardship Code and other regional stewardship codes.	Public	Annual	Describes the stewardship approach, activity and outcomes of Columbia Threadneedle , with nuances regarding legacy entities highlighted.
Climate Change Report	A report structured in line with TCFD recommendations that covers our governance of climate change; strategies to identify and manage risk and opportunities across our investments; and our own operational emissions, including a new emissions reduction goal.	Public	Report published in November 2022 that will be further developed in 2023 as part of our regulatory and other climate-related commitments.	Describes the governance and investment practices of Columbia Threadneedle.

Content	Description	Audience	Frequency	Legal entity coverage
Responsible Investment reports	ESG metrics for funds, such as ESG Materiality Rating, carbon footprint and controversies exposure, as well as voting activity. Some reports include a brief commentary.	Relevant clients and consultants	Quarterly	TAML
Impact reports	Annual reports for dedicated responsible/sustainable strategies that demonstrate a fund's ESG impact through metrics, SDG mapping, and active ownership details.	Public	Annually	During 2022, CTML and TAML produced various impact reports for their respective funds.
Sustainable investment policies	Policies to support and inform the management of the fund in relation to its sustainability philosophy and criteria.	Public	Reviewed annually	CTML
Responsible Investment strategies – summary criteria	Screening criteria for our responsible fund range.	Public	Reviewed annually and also updated ad hoc	CTML
Real estate strategy reports	ESG metrics, engagement activities and GRESB portfolio scoring included in regular reports for pooled property funds. For segregated mandates, engagement and voting data also disclosed.	Relevant clients	Quarterly	TAML
Real Estate ESG reports	ESG reports for a selection of our real estate strategies, written in accordance with regional disclosure recommendations. All contain strategy-specific goals and progress against these in the reporting year, as well as metrics on environmental risk. Highlights are also shared in each entity's Annual Report and Accounts.	Relevant clients	Annually	Columbia Threadneedle Real Estate Partners
Responsible investment policies	Policies to support and inform our engagement and voting activities on behalf of our clients.	Public	Reviewed annually	While the integrated policy framework that was approved in 2022 covers most policies, we are still working on the harmonisation of other policies into 2023.
Voting disclosures	Disclosure of our voting decisions can be found on our website the day after each AGM.	Public	Updated the day after each AGM	Voting data remains separate for each legacy entity.
Voting report	A record of why we cast dissenting votes, or where we support a shareholder-tabled proposal not endorsed by management.	Public	Annual	TAML
Responsible Investment Quarterly	Report that showcases our work and approach on a range of RI issues including ESG thematic analysis, engagement case studies and voting activity.	Public	Quarterly	TAML
ESG Viewpoints	Thematic, sectoral or regional ESG research and analysis, with reference to our engagement and voting efforts.	Public; ***reo***® clients also often receive further confidential company engagement details.	Monthly	CTML
Pioneer Perspectives	High-level content pieces, that typically cover the author's perspective of a current ESG issue, or ESG considerations of a topical issue.	Public	Ad-hoc	CTML
Further thought leadership content	Other RI thought leadership published during the year included insights on biodiversity loss and carbon capture and storage technologies.	Public	Ad-hoc	TAML

We recognise that client reporting around RI is an evolving area, shaped by increasing client expectations but also the developing regulatory landscape and rising claims of greenwashing. During 2022, work began to both integrate and enhance our RI reporting strategy. Dedicated resource was allocated to lead on this, and insights gathered from investment teams as well as distribution to understand industry developments as well as client expectations and feedback. This work continues into 2023.

CHAPTER 6

Promoting well-functioning markets

As a large, global asset manager, we take seriously our responsibility to promote a well-functioning financial system and work collaboratively with others to improve how markets function. In the long run, this benefits us in our investment activities, our clients, and society.

2022 brought increased market volatility coupled with heightened geopolitical risk. The effects of the Covid-19 pandemic continued in 2022 with China remaining in lockdown, which sustained the pressure on global supply chains. The Russian invasion of Ukraine had devastating consequences for the people of Ukraine and disrupted both gas and grain markets around the world. This, together with the restriction of global supply chains, led to levels of inflation not seen since the 1970s, which led to significant increases in interest rates globally. All this fed into the equity markets, where the biggest effects were both the absolute performance of the markets but also the end of the US market being led by large cap tech stocks (at least for the moment). Meanwhile, a number of ESG issues continued to present significant systemic threats to the stability of markets, such as climate change, or contributors to broader instability including through links to biodiversity loss, human rights abuses and weak labour standards.

Climate change, biodiversity loss and conflict can present significant threats to markets, destabilising the environment and increasing volatility in society

Our changing sustainability risk governance approach

During 2022, legacy entities followed similar albeit separate climate risk governance frameworks. Climate-related risks identified by investment risk management teams are reported to the relevant risk oversight committees – the Investment Risk Advisory Group for TAML, and the Performance and Risk Review Oversight Committee for CTML, escalating to other relevant committees depending on the nature of the risk, such as product or investment-focused committees. Work is currently ongoing to strengthen our governance of both climate-related risks and sustainability-related risks more broadly, and steps to increase board oversight of these risks.

Using engagement to address market risks

For CMIA and TAML, RI thematic research and engagement efforts around the energy transition, nutrition, sustainable supply chain management, and human capital management were used to address material ESG risks with issuers.

For CTML the following seven themes drove our active ownership programme, each of which we consider material to the creation and protection of long-term financial, social and environmental value.

- Climate change
- Environmental stewardship
- Public health
- Labour standards
- Human rights
- Corporate governance
- Business conduct

In 2022, active ownership analysts planned engagement priorities within these themes across sectors and regions, addressing systemic risk inherent in climate change, poor environmental stewardship and biodiversity loss, human rights abuses or weak labour standards, public health risks and weak corporate governance. They identified sectors and companies most exposed to key issues within these themes and engaged independently or collaboratively to seek improved management of the issue. This dialogue is reinforced with appropriate use of voting rights. Learn more in Chapters 3 & 4.

Climate change, biodiversity loss and conflict can present significant threats to markets, destabilising the environment and increasing volatility in society. During 2022, we engaged companies exposed to each of these issues, to promote positive change and better-functioning markets:

Active ownership in times of conflict

Russia's invasion of Ukraine in February 2022 sparked heightened geopolitical tensions and threatened the stability of global financial markets. The conflict has severe implications for human rights and presents significant challenges to businesses with ties to both countries. These challenges include protecting workers in Ukraine, managing supply chain disruptions, and dealing with spikes in energy, food and commodity prices – as well as the significant operational and reputational risk for those businesses still present in Russia.

As the crisis unfolded, we monitored the economic and financial market impacts, both within the affected region and more broadly on a global basis and across regions, sectors and companies. Specifically, we monitored the expected impacts on energy, global growth, inflation and central bank actions.

We reviewed the developments to assess the most appropriate and constructive actions to take as investors. We engaged companies with direct operations or supply chains in Ukraine, as well as companies with exposure to operations or key supply chains in Russia. We **also published a viewpoint in March** to discuss our engagement and expectations of companies, and in May **co-hosted a webinar with the EIRIS Conflict Risk Network**, dedicated to knowledge-sharing and proposing RI best practice and active ownership in light of Russia's war on Ukraine. Topics included sharing our engagement efforts and discussing the impacts on food security. We will follow up in 2023 with the publication of a viewpoint providing an update on our engagement with companies.

Upon the outbreak of the crisis, the vast majority of our funds and strategies had no direct exposure to Russia, Ukraine or Belarus. Our only strategies and funds with direct exposure to these countries were within Emerging Market Equities and Emerging Market Debt, including the Emerging Market Equity and Debt sleeves of our multi-asset strategies. We valued Russian equity positions in our portfolios at zero.

Addressing climate change

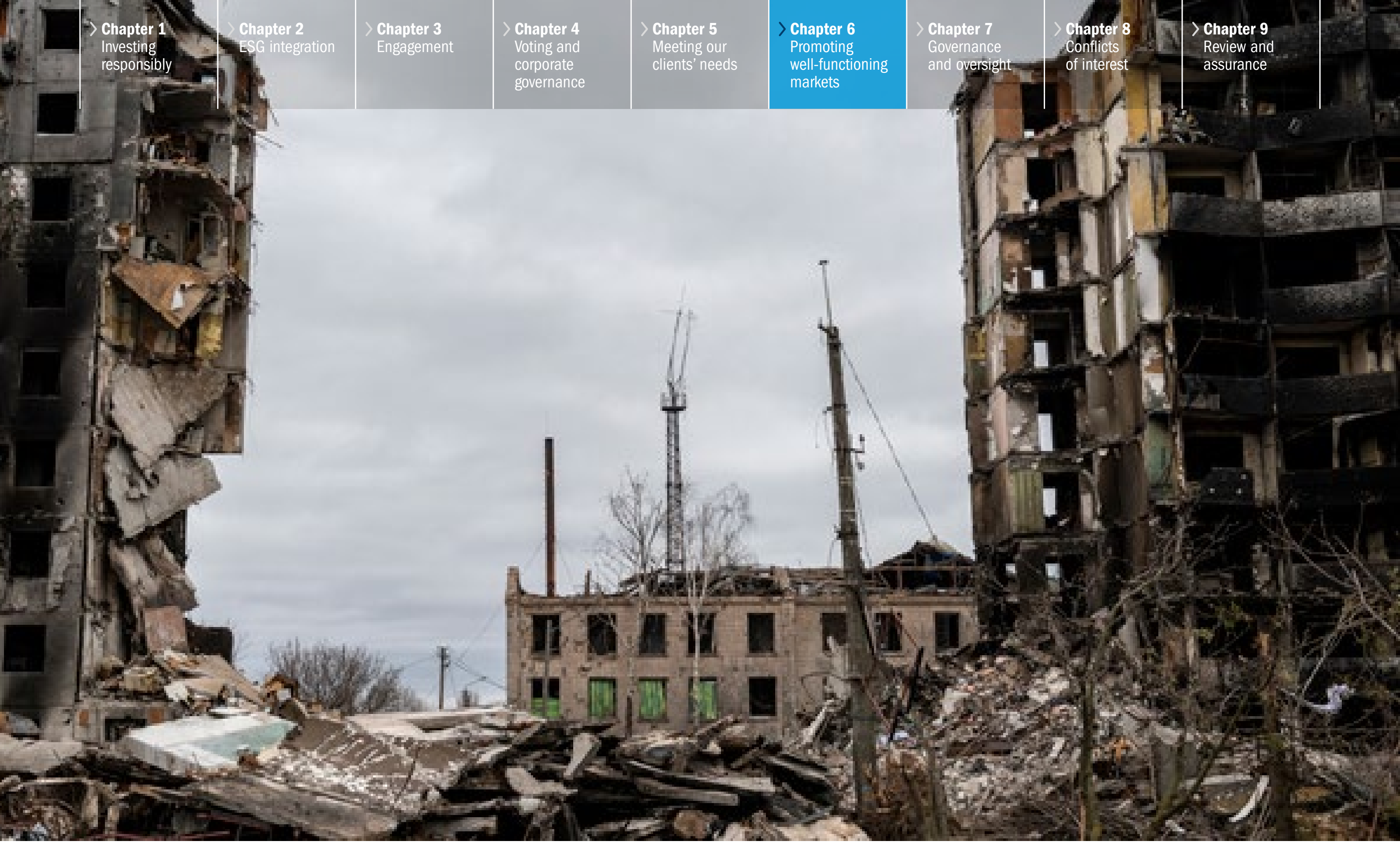
We believe that investors should play a central role in tackling the climate crisis, and we are committed to playing our part. We manage the risks and opportunities related to climate change across our investments, our own physical footprint, and within our industry and the economy, considering our clients' preferences. We consider existing and emerging regulatory requirements through dedicated policy-focused specialists as well as participation in industry groups, such as the Investment Association's Climate Change Working Group in the UK (chair) and the Investment Company Institute's ESG Advisory Group and Taskforce in North America.

Engaging with companies on energy transition and decarbonisation goals is key for real-world decarbonisation and true emissions reductions. A cornerstone of our engagement here is Climate Action 100+, an investor-led initiative that aims to ensure action on climate change. At the end of 2022, we were directly engaged on behalf of our clients with 48 of the 167 companies covered by the initiative and are the lead investor on eight of those engagements. Other important engagement topics during the year included coal phaseout, physical climate-related risks and banks' net zero ambitions.

Alongside engagement, proxy voting is an additional tool available, and indeed, climate change is reflected in our existing corporate governance and proxy voting guidelines, of which more information can be found in Chapter 4.

During 2022, we increased resource allocated towards climate change by hiring two additional analysts focused on this issue. Active ownership analysts also delivered training to portfolio managers and analysts on climate change engagement expectations and best practice guidelines to strengthen company engagement on climate change led by investment desks.

As a signatory to the Net Zero Asset Managers initiative, working in partnership with our clients, we aspire to reach net zero emissions by 2050 or sooner across all assets under management. More information on this is available in Chapter 2.



Protecting biodiversity

According to the World Economic Forum, over half the world's GDP depends on nature and the services it provides. The continuing loss of biodiversity will bring about significant economic loss, and impact food and water security, as well as human health and the spread of disease. Furthermore, climate change and biodiversity are interconnected issues: climate change is one of the key drivers of biodiversity loss, while nature is a powerful tool in tackling climate change.

Protecting biodiversity is an engagement priority among our active ownership analysts. During 2022, we spoke with companies in a number of several high-impact sectors such as food and beverage, extractives, materials and transportation to set out strategies, governance, targets and metrics related to protecting biodiversity. We also updated our biodiversity voting policy, and flagged our concerns by voting against management at companies in high-risk sectors with poor disclosures and management. We are also involved in multiple industry initiatives, including the PRI Sustainable Commodities Practitioners' Group and the Investor Policy Dialogue on Deforestation, which engages lawmakers and regulators in Brazil and Indonesia. We are also a founding member of Nature Action 100, a collaborative investor initiative to engage companies with the most material biodiversity impacts.

The number of standards, guidance and regulations pertaining to biodiversity and nature-related impact is rapidly expanding. We are members of the Taskforce on Nature-related Financial Disclosures Forum, and have provided detailed feedback on both draft versions of the framework which have been published to date. We are involved in the UK consultation group, a financial sector leaders forum, and are piloting the framework with other leaders on biodiversity in the financial sector.

Promoting well-functioning real estate markets

Columbia Threadneedle's real estate business actively engages with government and industry bodies to ensure both regulatory and operational environments promote good stakeholder outcomes. The business is represented by senior leaders on real estate focused bodies such as the Investment Property Forum (IPF) and The Association of Real Estate Funds (AREF) (including through membership of its Public Policy Committee) and contributes to dialogue that seeks to encourage positive change for stakeholders and society in terms of product development, consumer choice and balanced propositions for investors.

During 2022, our real estate practitioners have, through AREF, been involved in discussions with valuation professionals and other interested stakeholders on the matter of appraising worth relative to property-level sustainability credentials, analysing and exploring potential methodologies to discern green premiums or brown discounts, taking into account the guidance as set out by the Royal Institute of Chartered Surveyors. With the ever-increasing emphasis on transparency and disclosure, this recurrent theme remains one that continues to stimulate interest despite the difficulties presented by a heterogenous asset class with multiple differing drivers of value.

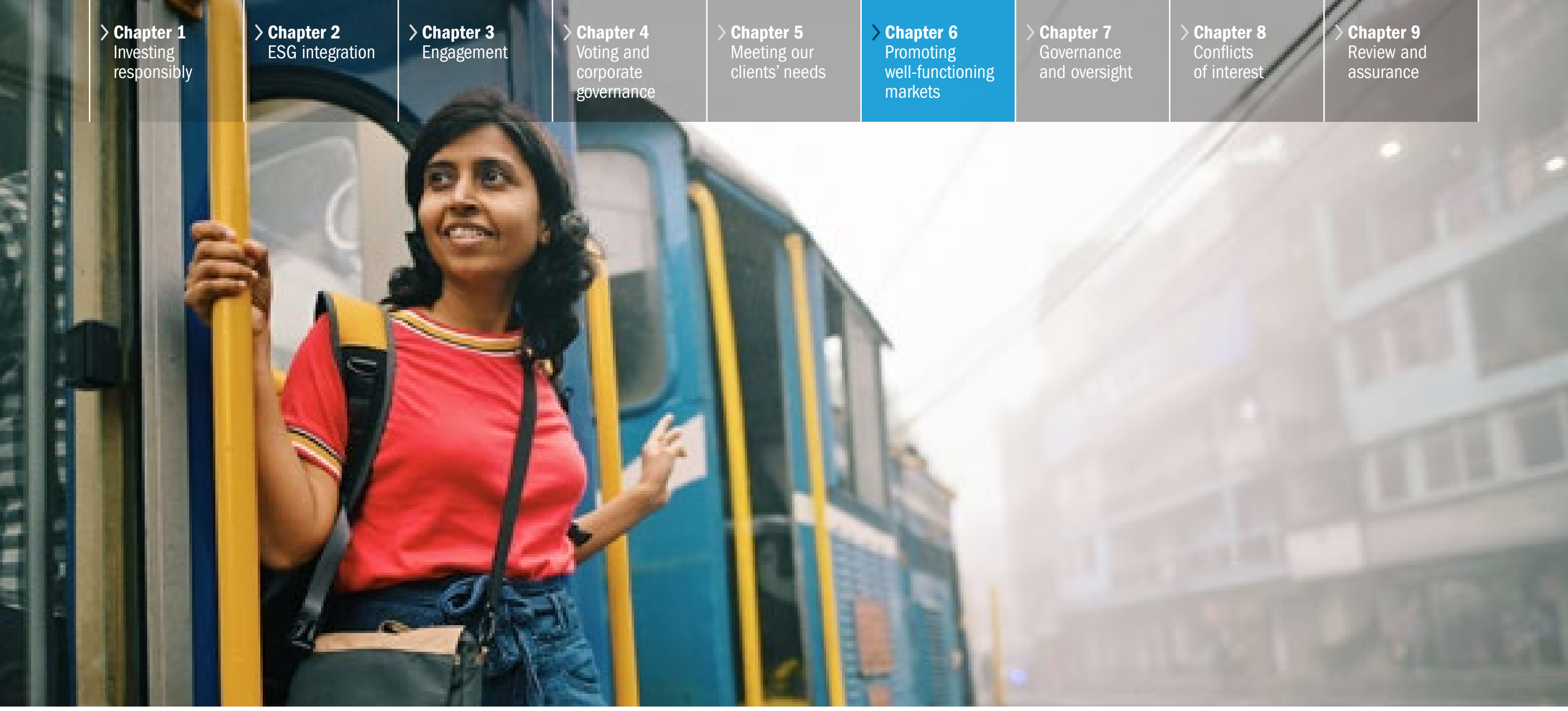
Additionally, the Carbon Trust, our partner on the Carbon Neutral Real Estate Fund, and an adviser to businesses, governments and the public sector on carbon reduction in UK real estate, works with us on transforming obsolete assets with poor energy and carbon performance into modern, energy efficient offices with low running costs, enhanced health and wellbeing, and in-use performance support.

Public policy

During 2022, we played an active role in public policy development through engagement with governments and regulators on key issues, seeking to be a constructive investor voice in standard setting. In 2022 we predominantly engaged through industry bodies and collaborative engagement initiatives. We believe that this ultimately helps promote well-functioning financial markets.

Discover our 2022 activity:

Country/region	Issue	Initiative	Overview of the collaboration	Our involvement	Outcomes
Global	Just Transition	Interfaith Centre on Corporate Responsibility (ICCR) Statement of Investor Expectations for Job Standards & Community Impacts in the Just Transition	Statement on investor expectations for companies to incorporate into their Just Transition plans, developed using a broad stakeholder consultation.	Signatory to public statement	The investor statement was published in February 2022 and received media coverage, and serves to drive progress towards a Just Transition.
Global	Biodiversity	World Benchmarking Alliance (WBA) developing a Nature and Biodiversity benchmark to assess company performance.	We provided feedback on the WBA's draft Nature and Biodiversity benchmark framework, which will cover 1,000 companies by 2023.	Responding to survey, but not being publicly named.	Following the public consultation, in April 2022 WBA published the Nature Benchmark Methodology, incorporating the feedback received, including from us as one of 15 financial institutions that provided feedback. Based on the methodology, WBA will assess companies in scope during summer of 2022 and launch the first benchmark in December 2022. The outcome is expected to provide valuable input into our benchmarking, portfolio assessment, and engagement of companies.
United States	Modern Slavery	Uyghur Forced Labor Prevention Act (UFLPA)	Notice seeking public comments on methods to prevent the importation of goods mined, produced, or manufactured with forced labor in the People's Republic of China, especially in the Xinjiang Uyghur Autonomous Region, into the United States.	We anonymously highlighted our support for the submission being made by the ICCR and emphasised specific points in terms of the CBP's implementation of the UFLPA.	The UFLPA came in to effect on 21st June.
Taiwan	Corporate governance	Financial Supervisory Commission	Response to the request for public comment on the Proposed Draft Amendments to Article 43-1, Article 178-1, and Article 183 of the Securities Exchange Act issued by the Financial Supervisory Commission.	Written response to the Financial Supervisory Commission.	The amendment to the Securities and Exchange Act was approved by Executive Yuan on 22 December 2022 and it will be reviewed by the Legislative Yuan before passing the amendment. This version includes the reduction of the disclosure threshold from 10% to 5% and increasing the penalty for security brokers from 4 million to 6 million New Taiwan Dollars if not compliant. However, our suggestions of real-time electronic submission system disclosure instead of quarterly disclosure and decoupling the definition of a substantial shareholder from a company insider were not included in this version. The regulation requires insiders to disclose the share sales three days prior to the event, and if our suggestion is adopted it would remove the incentive to circumvent substantial shareholding disclosures. Otherwise, it would increase more barriers for institutional shareholders who are unlikely to have the ambition to gain company control to increase or decrease their stake around the 5% threshold.



Country/region	Issue	Initiative	Overview of the collaboration	Our involvement	Outcomes
Sudan	Human rights	EIRIS CRN, Investor Alliance for Human Rights, Business & Human Rights Resource Centre	Investor statement addressing the human rights violations in Sudan.	Signatory to investor statement.	The letter served to increase pressure on companies operating in Sudan to better manage conflict risks and address human rights violations in the country.
Singapore	Animal welfare	Joint investor letter to Singapore Food Authority	Joint investor letter urging stronger animal welfare standards, especially cage-free eggs.	Signatory to letter.	We were a signatory to the letter to the Singapore Food Agency, highlighting investor interest in Singapore's influence in the region and the case for improved animal welfare standards. The Singapore Food Agency (SFA) responded stating that the Singapore farm animal standard was developed in consultation with stakeholders and that while it believes that cage-free systems is something that farms could consider, it considers such as commercial decisions to be taken by the farms themselves. It declined a meeting, but the formal response was a positive step. Asia Research & Engagement (ARE) will try to secure a meeting with other Singapore government agencies that work with the SFA with the aim to start a dialogue and are considering a benchmarking of Singapore standards against upcoming science-based Global Food Partners standards as input into the dialogue.
India	Governance	Asian Corporate Governance Association	In conjunction with a representative from the Asian Corporate Governance Association, we held a call with the Securities Exchange Board of India (SEBI) regarding its request for public comment on its plan to regulate/accredit ESG ratings and data providers.	Involved in the discussion.	No further information on the public consultation results yet. SEBI has extended the public comments timeline from 10 March 2022 to 10 April 2022. A piece of local news mentioned that a framework for ESG rating providers could soon be issued in late Dec 2022 but still no information as of January 2023. On the other hand, SEBI is also planning to draft another public consultation on ESG rating and disclosure in the next 2-3 months.
Global	Just Transition	World Benchmarking Alliance	The World Benchmarking Alliance (WBA), coordinated a letter on Just Transition to 100 Oil and Gas companies benchmarked by WBA in its 2021 Just Transition Assessments, including a number of Climate Action 100+ focus companies.	Signatory of letters to all CA100+ Oil & Gas companies.	Expected- companies will consider the WBA Just Transition benchmark indicators and CA100 indicators and improve their disclosure of Just Transition plans.

Country/region	Issue	Initiative	Overview of the collaboration	Our involvement	Outcomes
Global	Plastics pollution	Investor letter in support of UN Treaty on Plastic Pollution	We signed a letter facilitated by the WWF, Ellen McArthur Foundation, and Boston Consulting Group (BCG) to UN Member States to demonstrate our support for a UN Treaty on plastic pollution to harmonise regulations and standards to support governments and companies to move to a circular approach and address plastic waste.	We were a signatory to the original letter in 2021 Q3 which has since then been updated to reflect a UN decision to move forward in exploring options for a treaty.	If adopted, the treaty would contribute to increased efforts and harmonisation of approaches towards circularity of plastics and reducing waste. By being a signatory, we contribute to maintain the pressure by highlighting how national policies alignment and infrastructure development will support investee companies to realise reductions in plastic waste, and consequently in climate and nature impacts.
Global	Biodiversity	Ceres feedback to Taskforce on Nature-Related Disclosures (TFND)	Ceres asked investors for support to their letter to TFND with feedback on the first draft of the reporting framework. We are participants in Ceres biodiversity group and some engagement collaborations, though not an official member.	Signatory to the letter to TFND.	Proposed coordination with TFND as part of our membership of Nature Action 100, as well as hopefully via Ceres.
Japan	Gender Diversity	Asian Corporate Governance Association (ACGA)	The ACGA recently formed a working group of members and other interested investors to discuss the issue of gender diversity on Japanese listed company boards. The letter suggests a series of targets for achieving faster and higher levels of board gender diversity via two pathways: the Tokyo Stock Exchange (TSE) listing rules, with a particular focus on TSE Prime companies, and the Corporate Governance Code (CG Code).	Co-signing a letter with ACGA to FSA and TSE and Japan Exchange (JPX).	We had a collaborative engagement call with JPX alongside a number of other investors to talk about the letter we sent out. The group encouraged JPX to reconsider minimum gender diversity requirements but the JPX does not think it is suitable to impose a hard-line requirement in the Japanese market. The JPX is open to future investor feedback and welcomed specific evidence on the issues discussed.
Canada	Climate Change	Informal investor collaboration	A group of North American investors involved in engaging Canadian oil and gas companies wrote to the Pathways Alliance, one of the primary sector collaborations for the decarbonisation of the national oil and gas sector focused on the Alberta oil sands. The letter seeks a dialogue on the initiative's lobbying regarding Candian climate policy to assess how effective it will be in reducing emissions.	Co-signing letter to the Alliance requesting engagement and plans to subsequently represent our clients on a call with the group.	Constructive call with Pathways Alliance and companies involved in November. Reinforced investor desire for transparency and the organisation pushing for supportive and Paris-aligned climate policies. Follow up meeting planned for Q1 2023.
Japan	Audit	Asian Corporate Governance Association	We joined a virtual delegation led by the Asian Corporate Governance Association Japan working group to meet with the chair of the Japanese Institute of Certified Public Accountants (JICPA). The meeting sought to engage on issues such as auditor longevity, CPA firm capacity, new ISSB sustainability standards, and double audits.	Joining the collabrative engagement.	Limited outcomes to report at this time. JICPA did not issue any new guidance on auditor rotation and long tenure issues. On the other hand, JICPA has been hosting training sessions and webinars with ISSB on sustainability disclosure.

Country/region	Issue	Initiative	Overview of the collaboration	Our involvement	Outcomes
Taiwan	Virtual AGMs and shareholder rights	Taiwan Depository & Clearing Corporation (TDCC)	1:1 in person meeting with the regulators. We lead the engagement and will continue to follow up with the regulators about its plan to further improve it.	To exercise stewardship and ensure the regulators are aware the issues that foreign investors faced.	On Jan 2023, Financial Supervisory Commission (FSC) requested TDCC to redesign the virtual meeting platform so foreign investors can attend shareholder meetings. TDCC decided to remove the certificate policy, and foreign investors will be able to join virtual shareholder meetings in March via a CN code that is linked to security accounts. TDCC will share with me again if they have more detail.
United Kingdom	Financing a Just Transition in the UK	Just Transition Finance Challenge	Provided input into the criteria that will be used to assess the alignment of financing vehicles with a Just Transition under the Challenge.	To help drive the agenda for the consideration of social implications of climate transition. The industry is largely focused on climate implications and to encompass the wider impact on society there is a need to broaden the focus to encompass the effect on society as a whole.	Working towards launching the criteria in May 2023, and a formal Just Transition label after this.
Global	Net Zero alignment	Net Zero Engagement Initiative	Supporting corporate engagement in order to encourage the development of net zero transition plans in alignment with the Net Zero Investment Framework guidance.	To help the managment of climate risks at smaller companies that may be more vulnerable to climate policy or physical risks while also supporting us in our endeavours to keep abreast of best practice in less widely covered areas such as fixed income and real estate.	Increased engagement with high emitters which are not covered by CA100+ but that we believe require extra attention. Engaging them on net zero best practices will help ensure a smoother transition and protect long term value.
Asia	Sustainable Proteins	Asia Research & Engagement (ARE) Sustainable Protein Transition Platform	As a founding investor of the Platform we have contributed to developing its topics, engagement framework and evaluation indicators. We are an active participant in corporate engagement and continued development of the Platform.	Our on-going participation in ARE leverages our reach and supports our engagement on the protein transition and its importance for climate and nature impacts and opportunities to enhance public health. We view the new Platform as an important step in developing our engagement with Asian issuers and tailoring engagement for effectiveness in light of the local regulatory landscape and stakeholder views.	Participating in the Platform will strengthen corporate engagement through a 2030 vision and accompanying focus areas tailored to the Asian market and indicators to evaluate company progress. We continue to be an active participant in the corporate engagement as well as a member of ARE to support its further development.

Country/region	Issue	Initiative	Overview of the collaboration	Our involvement	Outcomes
Taiwan	Sustainability-related disclosure	Engagement with Taiwan Stock Exchange (TWSE), Taiwan Depository & Clearing Corporation and Financial Supervisory Commission (Taiwan)	We had a collaborative engagement call with the Taiwan Stock Exchange and other investors to discuss efforts to improve ESG disclosure. Specifically, we provided feedback to their expectations on sustainability-related disclosures, including 1) the requirement for chemical, finance and insurance companies to seek assurance over their sustainability report, 2) climate related disclosures, including company Greenhouse Gas (GHG) roadmaps, 3) the importance of sustainability disclosurse being published in English, 4) an update on the related party transaction management structure and 5) the incorporation of the ISSB sustainability standards in to the Taiwan requirements. Overall, we aimed to build relationships with the regulators and to make sure that Taiwanese companies are aware and in line with international ESG standards.	We joined a joint investor engagement call Taiwan Stock Exchange, and also held a 1:1 in person meeting with Taiwan Stock Exchange, Taiwan Depository & Clearing Corporation and Financial Supervisory Commission (Taiwan) on climate-related disclosure.	The Financial Supervisory Council (FSC) has not made any changes to the Sustainable Development Roadmap for GHGs it announced in March 2022. The roadmap outlines the timeline it requires companies with different levels of paid-in capital to disclose consolidated Scope 1 and 2 emissions and audited their emission data. Even though the regulator says that they were planning to require financial institutions to start disclosing Scope 3 emissions in this meeting, the financial institutions' climate disclosure amendment consultation that came out in November 2022 did not include this requirement. TWSE later explained that there are some technical difficulties but the Government encouraged major Taiwanese banks to voluntarily disclose Scope 3.
UK	Sustainability-related disclosure	Sustainability Disclosure Requirements (SDR)	Participated in the SDR real estate working groups, established by the Association for Real Estate Funds (AREF). Specifically, we represented AREF in providing feedback to the FCA on a discussion paper around SDR. We shared real estate industry views and its position on the proposed UK sustainability regime, emphasising industry concerns with the application of SFDR to real assets and explaining the potential concerns with the proposed SDR regime.	Participation in real estate focused working groups as part of SDR.	Following publication of the FCA's consultation paper on SDR, we have been actively involved in the preparation of the AREF response, which is due to be submitted to the FCA imminently. We further engage through membership of the AREF Public Policy Committee, which provides ongoing industry engagement on behalf of the wider Columbia Threadneedle Real Estate team.

Industry initiatives

We collaborate with other investors through various industry working groups to help inform our understanding of emerging ESG issues as well as share our learnings with the broader industry. This can include collaborative engagement which can help in addressing systemic issues within a sector or market, and gives companies the opportunity to hear a clear investor voice on a topic. Examples of specific collaborative engagements can be found in Chapter 3.

Discover an overview of our 2022 involvement in industry initiatives:

Initiative	Overview	Our involvement	Outcomes
30% Club France Investor Group	Investor-led group aiming to boost the number of women in board seats and executive leadership of companies in the SBF 120 index.	Member of the investor coalition, leading and supporting several engagements.	Throughout 2022, we participated in several collaborative engagements with the 30% Club France and SBF 120 companies to discuss their approach to diversity, equity, and inclusion. The objectives of the group include having companies have at least 30% women in the executive committee by 2025 and that companies provide disclosure regarding the procedures used to find and appoint new members to the executive management team and how that process ensures diverse leadership. We also encourage companies to provide information on how diversity materialises at every management level.
30% Club UK Investor Group	Investor-led group aiming to boost the number of women in board seats and executive leadership of companies in the FTSE 350 index.	Member of the investor coalition, supporting several initiatives.	No outcomes to report for 2022.
30% Coalition (US)	Group of public and private companies, professional services firms, institutional investors, government officials, and advocacy groups collaborating to increase diversity in corporate boardrooms.	Member of the investor coalition, leading and supporting several engagements.	No outcomes to report for 2022.
Access to Medicine Foundation	Independent, non-profit organisation working to stimulate and guide the pharmaceutical industry. Produces the Access to Medicine Index, Antimicrobial Resistance Benchmark, Access to Vaccines Index.	Member of the investor coalition, leading and supporting several engagements.	We continue to record milestones linked to our one-to-one and collaborative engagement on access to medicine. Pharmaceutical companies are increasingly paying attention to the results of the Access to Medicine Index and recognising the importance of access strategies.
Access to Nutrition Index	Independent, non-profit organisation producing the Access to Nutrition Index. Benchmark evaluates the world's largest food and beverage manufacturers' policies and performance related to the world's most pressing nutrition challenges: obesity and undernutrition.	Engagement on public health and the role of food and beverage producers in providing healthier choices for consumers.	Varying outcomes, with some companies adopting strong commitments on reformulation and sales.
Asia Corporate Governance Association (ACGA)	An independent, non-profit membership organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.	Member of the investor coalition, leading and supporting several engagements.	We joined eight company collaborative engagements this year. ACGA also organised engagement activities with Japanese and Taiwanese regulators. For example, we co-signed a letter with ACGA to FSA and JPX/TSE, requesting gender diversity requirement on Japanese-listed company boards and joined a virtual meeting with JICPA on audit issues. We also joined an ACGA-led investor meeting to discuss the response to Taiwan's disclosure requirements on substantial shareholdings and concerns about related party transactions disclosure. We attended ACGA's annual conference hosted in London where we connected with other investors and discuss future engagement strategies.

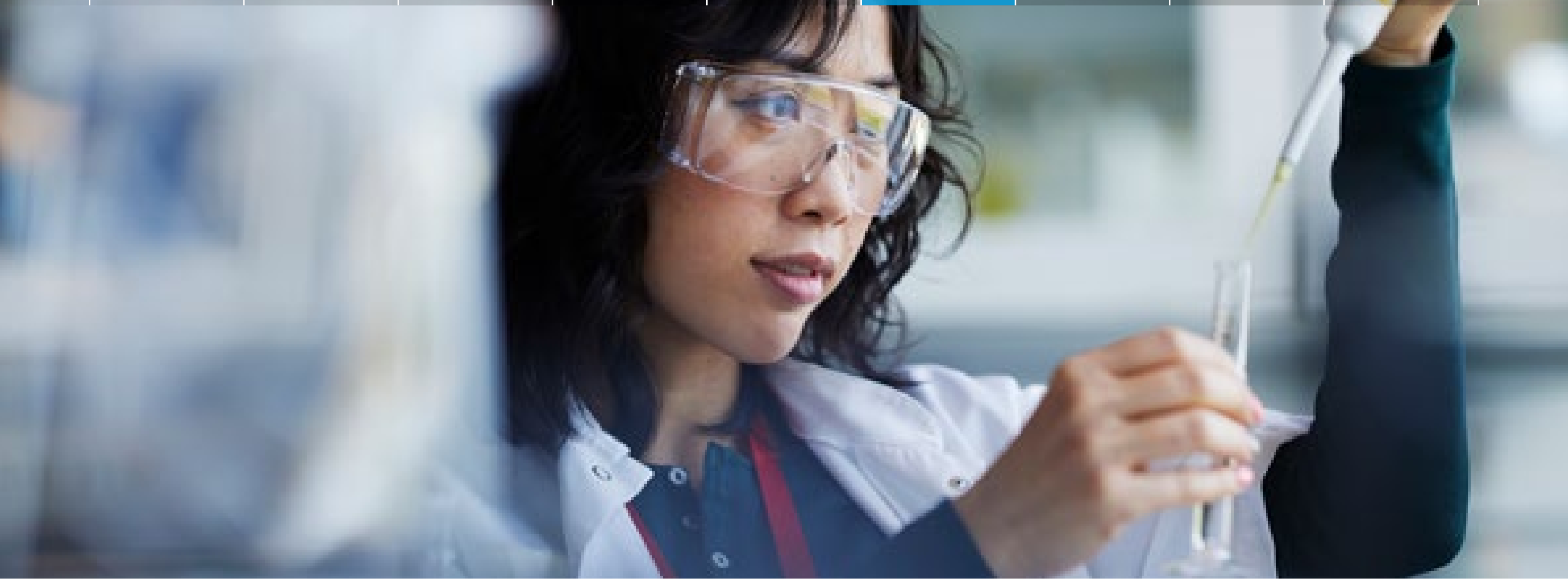
Initiative	Overview	Our involvement	Outcomes
Asia Research & Engagement (ARE) – Energy Transition Platform	Organisation that structures, implements and assembles investor collaborative engagement programmes across Asia. Performs in-depth industry and company research that provides strategic insight into key ESG issues to underpin engagement work.	Member of the investor coalition, joining several engagements.	As active participants in Asian Research & Engagements' Energy Transition Platform, we engaged with 7 Asian financials and 2 Asian utitilies, discussing how they were managing climate-related risks. We had a number of positive discussions with these companies. In particular, several of the financials announced ambitious sector-based financed emissions targets and tightened their fossil fuel financing policies, topics that formed a key part of the collaborative engagement with these companies.
BBFAW (Business Benchmark on Farm Animal Welfare) Global Investor Collaboration on Farm Animal Welfare	Benchmark of company performance on farm animal welfare management, policy commitment, performance and disclosure in food companies. This includes a Global Investor Statement on Farm Animal Welfare.	Member of the investor coalition, supporting several engagements.	We saw a number of companies with strong performance on animal welfare and have sent out letters on behalf of the Investor Collaboration to commend and encourage the continution of this progress.
Carbon Disclosure Project (CDP)	Non-profit organisation that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.	Member of the investor coalition, supporting several engagements.	In 2022 we led on 23 corporate engagements encouraging companies to disclose to CDP and co-signing a further 173 requests. Of the 196 companies we engaged in total, 45 submitted responses to CDP for the first time. This helps to improve our ability to accurately corporate performance on environmental impact and risk management.
Centre for Audit Committee and Investor Dialogue	Network initiative that enables investors, audit committee members and auditors to discuss issues of common interest.	Member.	Participation in abeyance over 2022.
Cerrado Manifesto SoS	Public statement committing to halt deforestation in the Cerrado, adopt sustainable land management practices and mitigate financial risks associated with deforestation and climate change. It is endorsed by global FMCG companies and institutional investors.	Signatory.	No direct action at this time.
ChemScore	Benchmark created by NGO International Chemical Secretariat (ChemSec). It ranks the world's top 50 chemical producers on their work to reduce their chemical footprint.	We engage a range of companies on chemicals management.	We co-signed a joint investor letter to chemicals companies on their involvement in the manufacture of hazardous chemicals. The letter supported the launch of ChemScore's 3rd annual ranking of chemical companies on the sustainable management of chemicals and builds upon our previous outreach on this topic. Our asks included greater disclosure of hazardous chemicals produced and their volumes, a push to publish a time-bound phase-out plan of persistent chemicals from production and for continued engagement with companies to improve their ChemScore ranking.
Climate Action 100+	Investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.	Member of the investor coalition, leading and supporting several engagements.	Improved disclosure and decarbonisation strategies for many of the 48 companies we engaged, with a focus on providing more detailed emissions reductions approaches and improved scenario analysis in line with TCFD recommendations. 2022 updates to the CA100+ net zero benchmark showed progress across the board, however more work still needed.

Initiative	Overview	Our involvement	Outcomes
Corporate Governance Forum	Facilitates investor dialogue on UK governance and proxy voting matters. The Forum is made up of 23 institutional asset owners and managers who meet on a regular basis to discuss governance best practice and contentious voting issues.	Member.	Whilst Forum members do not discuss specific vote intentions, our membership has enabled us to gain, through discussion and debate, an improved understanding of relevant issues around the time of investee company shareholder meetings. This dialogue helps us to keep abreast of investor sentiment around issues relating to executive compensation, board independence and diversity and a host of other core governance topics.
Council of Institutional Investors (CII)	Non-profit organisation promoting effective corporate governance policies that enhance long-term value for institutional asset owners and their beneficiaries.	Member.	No specific outcomes to report for 2022. We are continuing with our membership in 2023 and find their expert content and industry convenings valuable.
Eumedion	Non-profit organisation aiming to promote good corporate governance and sustainability policies at Dutch listed companies and to promote engaged and responsible shareholdership by its members.	Member, participate in collaborative engagement.	No outcomes to report for 2022.
FAIRR	Collaborative investor network that focuses on ESG risks and opportunities around animal agriculture.	Member of several collaborative engagement initiatives: **AMR:** Collaborative engagement with animal health companies. Signed tailored collaborative outreach letters to all companies in the initiative and followed up with a subset to request private meetings. **Sustainable Proteins:** Engagement with food producers and retailers via letters and meetings on systematically transitioning product portfolios to facilitate healthier, more sustainable diets. **Unpacking Labour Risk in Global Meat Supply Chains:** Engagement with seven major meat producers via letters and meetings to discuss labour standards in meat production. **Waste & Pollution:** Corporate engagement on waste from animal protein production eg raising of cattle, poultry.	**AMR:** Limited willingness for engagement by the companies following collaborative outreach. We have followed up 1:1 with 3 companies to make the case for dialogue but are yet to gain traction. **Sustainable Proteins:** FAIRR is collating the performance of the companies and will produce a progress report in 2023, the most recent update being in October 2022. **Unpacking Labour Risk in Global Meat Supply Chains:** The collaboration has so far engaged five of the seven meat producers on working conditions in operations and supply chains. This will serve as the starting point for further engagement with companies on these topics during 2023. **Waste & Pollution:** We signed up to the collaborative engagement and will lead engagement for one company and participate in calls with others to drive improvement in biodiversity responses.

Initiative	Overview	Our involvement	Outcomes
Find it, fix it, prevent it	Investor led initiative targeting UK-listed companies to demonstrate commitment to eradicating modern slavery from their supply chains.	Member of the initiative, engaging companies.	Enhanced corporate performance in eradicating modern slavery from supply chains: initiated dialogue with two companies we plan to engage; Ongoing dialogue with another company.
Global Institutional Governance Network (GIGN)	US/Global focus – Global asset managements governance teams. Discussions on companies and industry issues.	Member.	No specific outcomes for 2022. We are continuing with our membership into 2023.
Global Network Initiative	NGO with the dual goals of preventing Internet censorship by authoritarian governments and protecting the Internet privacy rights of individuals. Membership includes ICT companies, civil society organizations, academics, and investors.	Member of the investor coalition.	Enhanced corporate performance on protecting and advancing freedom of expression and privacy rights in the ICT industry.
GRESB Real Estate Benchmark	GRESB (formerly know as the Global Real Estate Sustainability Benchmark) assesses and benchmarks the Environmental, Social and Governance (ESG) performance of real assets, providing standardised and validated data to the capital markets.	Participant. During 2022, we submitted 11 funds to the survey.	During 2022, we achieved one 5 star, five 3 stars, four 2 stars and one 1 star ratings.
Impact Investing Institute	Focuses on the development of outcome related investment, to encourage more investment made with the intention to generate positive, measurable social and environmental impact alongside a financial return.	Member, involved in multiple programme areas, including green+ gilt issuance; market sizing; endowments; and key policiy initiatives such as the G7 Impact Taskforce and its focus on the Just Transition, and roundtables informing the FCA's Disclosures and Labelling Advisory Group. We joined the Just Transition Finance Challenge, which is covered in our public policy work below. We are also a member of the Placed Based Investing Advisory Committee, feeding into develoment of best practice recommendations for impact assessments and market development activities.	Our contribution to the UK Governments Green Gilt programme was covered in previous reporting. On market sizing, Columbia Threadneedle's approach to measuring impact was featured in the report, 'Estimating and describing the UK impact investing market'. Simon Bond, Executive Director, Responsible Investment Portfolio Management, was a featured panellist at the market sizing launch event alongside other leading figures in impact and the DCMS Minister for Tourism, Sport, Commonwealth Games, Heritage, and Civil Society, Nigel Huddleston MP. On endowments, our UK Social Bond Fund was featured in the Impact Investing Institute report, 'Endowments with impact: why do it, and how to get started' in February 2022. We participated in the G7 Impact Taskforce working group for Workstream B, delivering a landmark report on the Just Transition, the outcome of which is a major mobilisation challenge sponsored by the City of London Corporation. Participation with the FCA roundtables has helped ensure that the FCA are aware of the possibility and criteria of credible impact investing in public markets. Place Based work will start in 2023.
Institutional Investor Group on Climate Change (IIGCC)	IIGCC works with business, policy makers and investors to help define the investment practices, policies and corporate behaviours required to address climate change.	Member, leading and supporting on several engagements.	Best practice guides for oil and gas and diversified miners developed, organisation agreed to become co-secretariat for Nature Action 100+ initiative, subsuequently launched at COP15. Ongoing coordination of climate engagemens during proxy season, and multiple pblic statements coordinated and signed on issues like the green taxonomy.

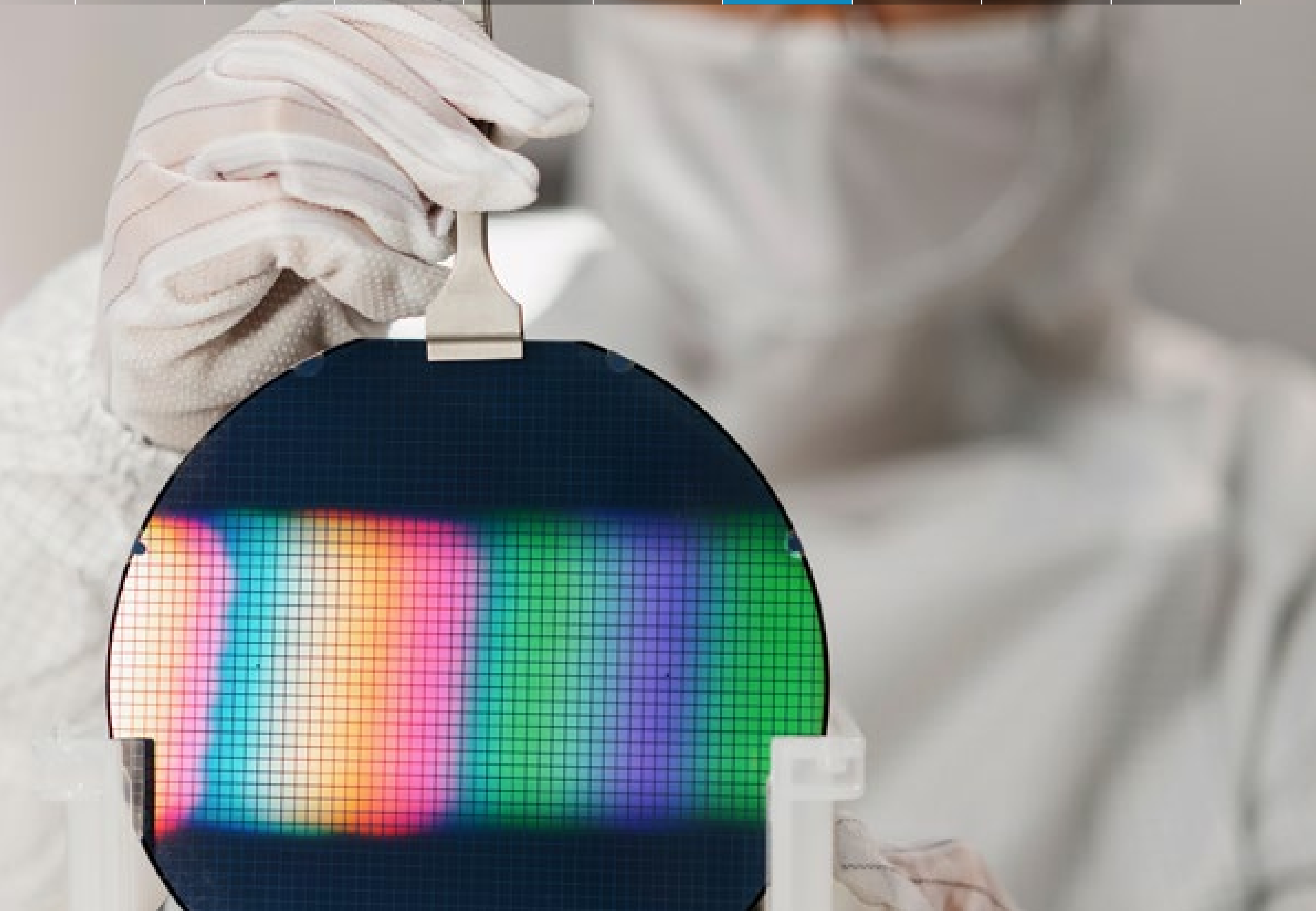
Initiative	Overview	Our involvement	Outcomes
IIGCC's Global Investor Statement	A joint statement coordinated by the seven Founding Partners of The Investor Agenda to all world governments urging a global race-to-the-top on climate policy and warns that laggards will miss out on trillions of dollars in investment if they aim too low and move too slow.	Signatory.	Enhanced pressure on governments to raise climate ambitions and implement robust policies.
Interfaith Centre on Corporate Responsibility (ICCR)	Coalition of faith- and values-based investors using shareholder advocacy to press companies on environmental, social, and governance issues.	Member, participating in collaborative engagements.	Enhanced focus for companies on the importance of addressing ESG issues.
ICCR's Investor Alliance on Human Rights (IAHR)	Part of the ICCR, IAHR provides a collective action platform to facilitate investor advocacy on a full spectrum of human rights and labor rights issues.	Member of the investor coalition, participating in collaborative engagements.	Increased impact in addressing human rights risks associated with business activities.
ICCR's Investors for Opioid and Pharmaceutical Accountability (IOPA)	Part of the ICCR, IOPA addresses the fallout of the opioid crisis and other business risks by seeking accountability and mitigating further risk at pharmaceutical companies through comprehensive shareholder reforms.	Member of the investor coalition, participating in collaborative engagements.	Several companies have improved their disclosure on how they manage opioid-related business risks.
International Capital Markets Association (ICMA)	ICMA and its members promote the development of markets – in an RI content, they are involved in the development of green, social and sustainability bond principles.	Member of various working groups: We are on the Just Transition sub working group which is a combination of the Social Bond Principles Green Finance Sustainability Linked Bond and Impact Reporting working groups. We are also in the Social Bond Principles working group, and in the Impact Reporting and SDG sub working groups. Midway through the year we also joined the new Sustainability Linked Bonds working group.	Through our involvement in various working groups, we have contributed to the development of market best practices in green, social and sustainability bonds and related reporting.
International Corporate Governance Network (ICGN)	Investor led organisation advancing the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation.	Member.	We attended the ICGN conference in Seoul, where the ICGN sponsored panels on a variety of both global and regional topics, including the future application of ISSB and how it will affect sustainability reporting, ownership structures in APAC, and best practice approaches to Diversity, Equity & Inclusion (DEI). We also participated on a panel at the ICGN conference in London, where we discussed both 2022 outcomes and potential 2023 ESG issues for the upcoming voting season.
Investment Association (IA)	UK industry body; facilitates the monitoring and responding to ESG policy and regulatory changes impacting our activities.	Member; participation in the Stewardship Committee, working on EU & UK regulatory reforms and market developments, and the Sustainability & Responsible Investment Committee working across the breadth of industry topics including fund labelling.	Contribution to industry submissions on UK and EU regulatory reform proposals. Industry meetings with regulators including the FCA.
Investment Company Institute (ICI)	US Industry body; facilitates the monitoring and responding to ESG policy and regulatory changes impacting our activities.	Member; participated in ESG Advisory Committee and associated working groups (US & EU reform proposals).	Contribution to the development of industry positions and submissions on regulatory reforms in the US, as well as the EU. Participation in industry meetings with regulators including the SEC.

Initiative	Overview	Our involvement	Outcomes
Investor Action on Antimicrobial Resistance (AMR)	A coalition between the Access to Medicine Foundation, the FAIRR Initiative, the Principles for Responsible Investment and the UK Government Department of Health and Social Care to galvanise investor efforts to address global antimicrobial resistance.	We individually engage a range of companies on AMR and feed broad learnings into the group. We participate in industry education and advocacy.	Engagement with a range of companies on AMR. Contributed case studies to the IAAMR annual public report for shared learning. Spoke at VBDO seminar on AMR and intensive farming for market education.
Investor Forum (UK)	The Forum helps investors to work collectively to escalate material issues with the Boards of UK-listed companies.	Member; participate in collaborative engagement.	During 2022, we participated in the development of an investor due diligence toolkit on modern slavery. The Objective of the toolkit is to help investors understand the global context and systemic risks linked to modern slavery, evaluate the risk mitigation approaches of investee companies, assess the alignment of investee company stated due diligence policies versus actual implementation and to aid investor engagement to promote improvements.
Investor Tailings Safety Initiative & Investor 2030 Mining Agenda	Investor led initiative aimed at driving safety in the mining sector after the disaster at Brumadinho, Brazil, where a tailings storage facility failed, killing 270 people, and causing environmental damage.	Co-lead on some of the corporate engagements.	A disclosure request for companies across the sector to align with the Global Industry Standard on Tailings Management was developed and sent out. At the last assessment (Q2 2022) around 65% of the industry by market capitalisation agreed to implement the standard. The tailings initiative has also led to the development of the Global Commission on Mining 2030, which was launched in January 2023.
Know the Chain – Investor Expectations on Adressing Forced Labour in Global Supply Chains	KnowTheChain, as part of the Business and Human Rights Resource Centre (BHRRC) is a resource for companies and investors to understand and address forced labour risks within their global supply chains.	Member of the investor coalition, supporting several engagements.	As signatories to the Know the Chain Investor Statement, in 2022, we provided feedback on how the BHRRC can enhance its approach to improving corporate practice on business and human rights. We will continue to utilise Know the Chain benchmark data to inform our engagement work and look forward to the publication of updated benchmarks in 2023.
Net Zero Asset Managers Initiative	Public commitment to initiative. International group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.	Signatory. Committed to reaching net zero greenhouse gas emissions by 2050 or sooner across all assets under management.	Helping drive real world emissions reductions: our net zero approach is to use engagement to influence companies to take action in reducing their emissions.
Platform Living Wage Financials	Coalition of financial institutions that encourages and monitors investee companies to address the non-payment of living wage in global supply chains.	Chair of the Platform's Garment Working Group; member of the Food, Retail and Agri working group, future member of the Management Committee and Treasurer.	Enhanced transparency, improved remedy for workers in terms of living wages paid, increased number of accredited Living Wage employers (in the UK), and enhanced investor awareness.
Principles for Responsible Investment (PRI)	Global responsible investment association, membership is a pre-requisite for many clients.	Signatory; Member of Stewardship Advisory Committee and PRI Advance collaborative initiative on Human Rights.	No PRI assessment was run for 2022. We contributed to quarterly meetings and white papers published by the PRI on aspects of stewardship best practice. Participated in PRI Advance meetings and committed to lead engagement with one company from the target list.



Initiative	Overview	Our involvement	Outcomes
Transition Pathway Initiative	A PRI sponsored initiative, this is an asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. It is supported by London School of Economics, a research driven initiative on high emitting sectors carbon transition and strategic/ management commitment to address climate transition.	Supporter, committed to using the TPI tool and its findings in a range of ways, including engagement with companies.	Outreach to banks on completing the TPI framework assessment; wait and revisit.
UK Sustainable Investment Forum (UKSIF)	Facilitates the monitoring and responding to ESG policy and regulatory changes impacting our activities; pre-requisite for FNG certification	Member.	During 2022, our direct involvement in the achievement of any outcomes was limited. However, at a high level, some of the outcomes achieved by UKSIF included influencing regulations on the Green Taxonomy and fund labelling, and parterning with ShareAction to discuss with the UK government how the investment industry can address nature challenges.
Votes Against Slavery 2022	Investor collaboration engaging with FTSE 350 companies on their compliance with the Modern Slavery Act 2015.	Member of the investor coalition.	For the 2022 campaign, 41 out of 44 targeted companies are now compliant with Section 54 of the Act. As a result of previous engagements, 59 out of 61 companies targeted in 2021 became compliant, with the two remaining target companies becoming so in January 2022.
Workforce Disclosure Initiative (WDI)	Investor initiative aimed at improving corporate transparency and accountability on workforce issues. Provide companies and investors with comprehensive and comparable data.	Signatory, member of the Advisory Group; leading/supporting several engagements.	We reached out to 44 companies to encourage them reporting to WDI, with three previously non-responding companies reporting in 2022. We also played an active part in engagements and providing input into the initiative's development of approach and methodology.
Taskforce for Nature-related Financial Disclosures	Taskforce aimed to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks.	Forum member; provided detailed feedback on both draft versions of the framework which have been published to date. We are involved in the UK consultation group, a financial sector leaders forum, and are piloting the framework with other leaders on biodiversity in the financial sector.	Helping develop a risk management and disclosure framework for companies to act and report on nature-related risks.
Nature Action 100+	Investor-led collaborative engagement programme to engage with companies and policymakers on nature.	Founding member. We will engage companies in key sectors to try to halt and reverse biodiversity loss by 2030.	Officially launched at COP15, with governance and secretariat finalised.

Initiative	Overview	Our involvement	Outcomes
Investor Policy Dialogue on Deforestation	Collaborative investor initiative set up to engage with public agencies and industry associations in selected countries on the issue of deforestation. The goal is to coordinate a public policy dialogue on halting deforestation.	Member of the investment coalition	We are active members of the Brazil and Consumer Countries workstreams, and are working with members of the new Brazilian administration to identify how international finance can best support the country to curtail deforestation.
ShareAction Healthier Markets	Investor initiative aimed at improving children's health by increasing access to afforable, healthy food.	Member of the investor group, leading and supporting several engagements.	Varying outcomes, with some companies adopting strong commitments on reformulation and sales.
ShareAction Good Work Coalition	Investor engagement initiative aimed at driving up standards in the workplace. Engagement focus on labour standards, living wage standards, accreditation, transaprency of the FTSE350, extention to DEI with a focus on ethnic diversity.	Member of the investor coalition, supporting several engagements.	We engaged 25 companies on living wages and living hours in 2022 in a range of sectors including industrials, consumer goods and services, energy, and financials. We supported the shareholder resolution for Sainsbury's to become an accredited living wage employer and engaged the company collaboratively to explain the investor case and discuss challenges.
ShareAction Chemicals Working Group	Investor group focussed on engagement with the chemicals sector on decarbonisation.	Signatory. Co-signed a joint investor letter to engage with key European chemicals companies, and in 2022 joined various follow up calls alongside other investors to engage companies.	Progress made in some companies' decarbonisation strategies.
Human Capital Management Coalition	Coalition of investors to elevate human capital management. Engages companies and other market participants with the aim of understanding and improving how human capital management contributes to the creation of long-term shareholder value.	Member of investor coalition, engaging companies on the issue.	Knowledge sharing and on the ground insights of poor labour standards faced by workers.
Sustainability Accounting Standards Board (SASB)	ESG standard setter. Guide the disclosure of financially material sustainability information by companies to their investors.	Member of the Standards Advisory Group & sub-groups.	We continued to play an active role in the Standards Advisory Group. For example, we provided feedback on two IFRS disclosure standards drafts: General Requirements for Disclosure of Sustainability-related Financial Information, and Climate-related Disclosures.
Science-based Target Initiative	The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Guides companies to set science-based targets to mobilize the private sector to take urgent climate action.	We endorse the SBTi through encouraging companies to adopt SBTi-approved targets through our engagement efforts.	Outcomes: More companies seeking SBTi-approved emissions reductions targets.
SPOTT	SPOTT scores palm oil, tropical forestry, and natural rubber companies annually against over 100 sector-specific ESG indicators to benchmark their progress over time.	Investor supporter; engage companies to express the need for enhanced transparency.	We had several engagements with SPOTT in 2022, including visiting the SPOTT team at their offices in London. We worked with the SPOTT team to identify engagement priorities for several companies sourcing natural rubber and timber. We also invited SPOTT to be one of the expert advisor partners for an investment coalition we have convened on deforestation in automotive supply chains.
Pre-Emption Group	UK capital markets body (equity issuance and shareholder pre-emption rights)	Participation in the UK Pre-Emption Group, specifically around UK Capital Raising standards.	Engagement with the FCA and the Hill review and the November 2022 update of the Statement of Principles to align with the recommendations made in the UK Secondary Capital Raising Review.
Investor Initiative for Responsible Care	Collaborative engagement group coordinated by UNI Global Union focused on working standards and quality of care in the listed nursing care sector.	Engagement lead for one company and supporter for two others.	Led or participated in engagement calls throughout the year. Limited progress on issues at the company level but a strong open dialogue established.



Thought leadership

We routinely publish thought leadership content on our website to provide publicly available insights on our research relating to ESG issues and to provide transparency around our related active ownership work. During 2022, examples included:

Energy crisis response: repowering Europe

The Russia/Ukraine conflict exposed Europe to an energy shock without precedent. Discover an update on the RePowerEU plan aimed at ensuring energy security while promoting decarbonisation.

Nature as an ally: tackling the climate-nature nexus

Discover how nature can be a powerful ally in the fight against climate change.

ESG Viewpoint: Responsible taxation – a necessity to achieve the UN SDGs

The OECD estimates that aggressive tax avoidance results in US$100-240bn lost government revenue annually. We explore issues around tax transparency and our dialogue with companies on this topic.

Read more of our 2022 thought leadership content on our **website**.

Private shareholder engagements on material ESG issues

As highlighted earlier in this Chapter and in Chapter 3, we recognise the positive role we can play as investors in driving real-world change through our activities. Thoughtful engagement helps us to develop a more accurate understanding of a company, whereby building trust, we can have greater influence, effect positive change, reduce risk and enhance long-term value creation.

During the year, we contributed to a study into private shareholder engagements in partnership with Maastricht University, by providing both our engagement database and financial support for hiring research assistants affiliated with the University.

Key findings

- The success of engagements varies significantly by approach
- Companies targeted by successful material engagements outperform peers
- Change doesn't happen overnight

The research paper can be accessed **here**.

CHAPTER 7

Governance and oversight

Columbia Threadneedle has a comprehensive governance framework that enables timely escalation and resolution of issues, whether operational, legal, or regulatory in nature. Our framework is designed to ensure the governing committees are operating cohesively and making decisions consistent with their mandates, as well as to provide a mechanism for escalation and discussion.

Our Global Executive Group and Global Business Group include regional leaders and other senior leaders, to provide alignment and coordination across regions, ensure the delivery of global goals and initiatives, and draw on and share information globally. This strategic oversight is in addition to, but distinct from, the governance of the legal entities that we operate in conducting our business. While the integration of the former BMO GAM (EMEA) business continues, there remain certain separate governance arrangements in place.

Governing responsible investment

The Investment Oversight Committee (IOC) in the US, Investment Management Committee (IMC) in EMEA and APAC, and the EMEA Investment Committee (EIC) for the former BMO GAM (EMEA) business are responsible for Columbia Threadneedle's overarching RI framework. Our Global Chief Investment Officer (CIO) is responsible for ensuring that ESG considerations form part of our research activities, helping to build a holistic view of the risks and opportunities attached to our holdings and potential investments. During 2022 we also consolidated responsible investment (RI) leadership into one global role, with Claudia Wearmouth as our Global Head of Responsible Investment, reporting to the Global CIO and participating in the Global Business Group, as well as the IMC and EIC.

Resourcing stewardship activities

The acquisition of the business formerly trading as BMO GAM (EMEA) significantly strengthened our stewardship resources. During 2022, we have been integrating RI professionals into one combined team, led by the Global Head of Responsible Investment. The team comprises more than 40 RI specialists who work to support our clients, our investment professionals and our overall business through their expertise across ESG thematic research, ESG integration, ESG policy, client reporting and thought leadership content. Active ownership is a key aspect of our RI capability, and within the team there are 20 analysts focused on engagement and voting.

A full breakdown of how our RI capability is organised, as of 31 December 2022 is outlined below:

Management

- Global Head of Responsible Investment
- Head of Responsible Investment Implementation

ESG analysis and active ownership

- Head of Active Ownership
- Engagement Manager
- Head of Proxy Voting Operations
- Corporate Governance lead for EMEA/APAC
- Corporate Governance lead for North America
- Active Ownership and Thematic Research specialists

ESG funds and solutions

- Head of ***reo***® (our engagement overlay service)[17].
- ***reo***® Product Specialists
- ESG Product Framework specialists
- ESG Fund Product specialists

ESG data and reporting

- ESG Data Scientist
- Data Analysts, covering engagement, proxy voting, quantitative data and reporting
- Impact Reporting Analyst

The RI specialists are also organised into working groups, such as the Fund, Client, Environment, Social and Governance 'pods'. People often work across different and overlapping areas not limited to their role, depending on their expertise. This includes work related to compliance with new regulation and the UN Sustainable Development Goals.

During 2022 we appointed two new positions – a Head of Active Ownership, and an Engagement Manager – and strengthened our capability through hiring additional resource with expertise in areas such as climate change, public health, and proxy voting and corporate governance. We restructured the resourcing of ***reo***®, by appointing a dedicated head of the service and regional product specialists.

Within our RI capability, we have 72% female representation and 28% male representation, 12 nationalities and 16 languages spoken. Individuals come from diverse professional backgrounds, including investment, consulting, climate change, corporate governance and human rights. We believe that this diversity and experience strengthens the effectiveness of our active ownership team by enhancing our understanding of the context and environment in which companies operate and allow us offer constructive input to help them address the challenges they face.

A key focus of our stewardship activities is to enhance our investment research so that we can make informed capital allocation decisions as active investors. Alongside our RI professionals, our Fundamental Research analysts collaborate across asset classes and sectors, and undertake ESG analysis and engagement as part of their role, while dedicated RI thematic analysts produce research on specific sustainability themes.

Training

During 2022, the RI specialists provided various training and resources to support investment and distribution:

- Training for investment teams on:
  - Active ownership, such as the overall engagement framework and an overview of our combined proxy voting policy.
  - Our net zero investment methodology.
  - Climate change engagement expectations.
  - Our ESG tools, such as the ESG Materiality rating training.
  - Applicable regulatory requirements such as the EU Sustainable Finance Disclosure Regulation (SFDR) and the incorporation of these requirements into the investment funds that we operate (also delivered to Distribution teams).
- A discussion on thematic engagement projects with investment and research teams to receive feedback on the relevance of engagement themes and further angles to consider/issues to be covered.
- Thematic roundtables on topics such as green hydrogen.
- The ongoing production of two handbooks to support investment analysts: a research handbook, which includes relevant ESG information, and an engagement handbook, which provides an overview of best practice approach for active ownership. Both will be published internally in 2023.

Investment in systems, process, research analysis and service providers

We continually invest in technology to support our research and inform our active ownership activities. For example, we have been extending functionality within our portfolio management system, Aladdin, to enable portfolio managers and analysts to monitor and consider data covering investment restrictions resulting from adherence with SFDR requirements and transition to net zero by investee companies. This is further supported by an internal "multi-dash" tool which enables stock-level research through various ESG and climate lenses.

While we believe in the value of proprietary research as the primary source of analysis, we do leverage external research to support our own analysis and research. We use a variety of providers for what we view to be valuable data and research that facilitates effective management of assets on behalf of clients. These include Aladdin, Bloomberg, CorpAxe, Morgan Stanley Capital International (MSCI), Institutional Shareholder Services (ISS), and other data providers. Our oversight of external service providers is described in Chapter 7.

Performance management and incentivising stewardship

We employ a robust system and process to monitor, measure and reward employee performance. Across the company, we use a consistent, balanced scorecard approach to determine incentive amounts for employees at all levels. Every employee's performance is measured against personal performance goals as well as against our values of Client Focus, Excellence, Integrity, and Respect.

[17] ***reo***® is a pooled service that allows investors to receive engagement, and proxy voting where selected, on equity and corporate bond holdings, independent from portfolio management services received either from third party asset managers or Columbia Threadneedle.

On a firm-wide basis, continuing to embed RI across the business is a strategic priority. As such, it will be a critical piece within the appraisals of our leadership team. For employees in investment roles, we believe appropriate consideration of ESG issues and active engagement activity is intrinsically linked to investment performance and is therefore also reflected in all investment professionals' investment performance goals and incentives.

For RI professionals under Claudia Wearmouth, remuneration is linked to delivering high quality active ownership analysis and activities, such as engagement and voting in line with our global RI policies, contributing to building Columbia Threadneedle's RI profile, ESG integration, and contributions to enhanced ESG disclosure. We believe that our ongoing work to integrate our governance, resources, and incentive structures is enabling effective stewardship at our firm. We continuously aim to not just integrate but overall improve our systems to deliver the results expected by our clients and so maintain their trust.

Monitoring **service providers**

As outlined in Chapter 2, as an active investment manager we conduct proprietary research on issuers. This is supplemented by data and research from a variety of proxy voting and ESG service providers. This data and research is available to investment teams across all asset classes. The determination of which service provider and services will enhance our process is driven by portfolio manager and analyst needs. We use a select group of providers for valuable data and research that supports effective management of assets and our active ownership efforts on behalf of clients.

The following actions are taken to monitor and manage ongoing relationships:

- Business owners are responsible for managing and monitoring the vendor relationship, and reviewing performance. The evaluation of vendors is defined through a variety of measurements that look at categories critical to the performance levels. Examples include platform availability, accuracy of research and execution, and issue resolution.
- Vendor issues are tracked in a centralised system and monitored to ensure resolution. Business owners escalate issues requiring additional support to our dedicated vendor management team. These are issues outside of the business owners' ability to resolve operationally and are likely contractual issues that may or may not involve a financial impact.
- If an issue is escalated, typically the contract is reviewed, our legal team may be consulted, and meetings are held with the vendor and business owner(s) so that the issue can be resolved. Senior leadership may be involved depending on the severity of the issue or potential financial impact.
- Vendor relationships are reviewed by internal risk teams on a regular basis, to assess the vendor's ability to meet our security and business continuity requirements.

We seek to continuously engage with new and existing service providers to evaluate products that could enrich our research process.

This table highlights our service providers in relation to active ownership activities:

Name of Provider	Service	Entity	Service Overview
SustainAlytics	Screening	CTML	Controversial weapons report
Impact Cubed	Raw data	CTML	Impact metrics data
Various brokers	–	CTML	ESG research
GRESB	ESG research	CTML	Real estate focused ESG research, including net zero analysis
RepRisk	ESG and business conduct risk research	CTML	ESG research
Institutional Voting Information Service (IVIS)	Proxy research (UK only)	CTML	Shareholder meeting research
Bloomberg	Bloomberg ESG data	TAML	Back office data
Bloomberg	Bloomberg supply chain data	TAML	Back office data
International Energy Agency	World energy balance	TAML	Datafeed – climate data
BoardEx	BoardEx	TAML	Datafeed – corporate governance
MSCI ESG	MSCI climate VaR	TAML	Datafeed – climate data
MSCI ESG	MSCI EU sustainable finance	TAML	Datafeed – sustainable finance data
Climate Bond Initiative	Climate Bond Initiative green bond and social & sustainable bond databases	TAML	Datafeed – climate data
427	Four Twenty Seven's Global Company Risk Scores disaggregated by country and type of facility	TAML	Datafeed – climate data
ISS	ISS EU taxonomy	TAML	Datafeed – EU taxonomy
Glass Lewis	Proxy voting	TAML	Proxy voting policies & letter writing service
Urgewald	Coal exit	TAML	Datafeed – climate data
Urgewald	Oil & gas exit	TAML	Report – climate data
Climate Action 100+	CA100	TAML	Open source data – climate data
International Institute of Applied Systems Analysis ("IIASA").	IPCC SR15 scenario dataset	TAML	Open source data – climate data
SBTI	Science Based Targets service	TAML	Open source data – climate data
Transition Pathway Initiative	TPI management quality and carbon performance data	TAML	Open source data – climate data
UN	Human development report	TAML	Open source data – demographics report
WashData Org	Wash Data service	TAML	Open source data – SDGs (water, sanitation, hygiene)
World Risk Index Website provided by Bündnis Entwicklung Hilft.	World Risk Index report	TAML	Open source data – climate data
CDP	CDP investor requests and reports on climate change, water and forests	TAML	Datafeed – climate data
CDP	CDP full GHG emissions dDataset	TAML and CTML	Datafeed – climate data
MSCI ESG	MSCI ESG	TAML and CTML	Datafeed – ESG ratings & research
ISS	ISS research and proxy voting including quality score	TAML and CTML	Proxy voting policies, DataDesk platform & access to research
CDP	CDP investor requests and reports on climate change, water and forests	TAML and CTML	Datafeed – climate data
FactSet	FactSet revere	TAML and CTML	Datafeed hierarchy – revenues. Used for SDG mapping

As we are still in the process of our integration we are also working on assessing our data providers for the future combined organisation, and our integrated investment, research and active ownership efforts. This process will go on throughout 2023.

Case study: Proxy service provider – ISS

Whilst we are regularly in contact with our proxy voting administration provider ISS, we also hold formal quarterly review meetings that provide an opportunity for structured due diligence. These meetings cover standard agenda items and any ad hoc issues raised by the proxy voting analysts or by clients; the issues are discussed and timelines for resolutions are set and then tracked. Ahead of these meetings ISS provide us with a report against Key Performance Indicators. Areas of focus in the quarterly meetings are detailed in a formalised agenda. Discussion on each agenda item will be based on qualitative (analyst input) and quantitative (management reporting tools) evaluation in addition to specified contractual service level agreements that cover the majority of aspects of the relationship. Areas reviewed include:

- Team update (including ISS client servicing, custom policy and research teams)
- Ballot generation service evaluation
- Vote execution service evaluation
- Account maintenance service evaluation
- Client support – account management and operations service evaluation
- Client reporting – service evaluation
- Research delivery and quality service evaluation
- Custom policy implementation & timing review vote usage statistics
- AOB including new service offerings.

The proxy voting analysts regularly audit the votes executed under the voting policy to ensure that our voting policies are applied properly by ISS. In addition, we undertake a voting policy review annually, which involves significant collaboration between research representatives from ISS and RI professionals. This provides the opportunity to ensure that ISS is comfortable implementing any policy changes and that further guidance is provided where necessary.

With regard to feedback provided to ISS during the year, no material concerns were flagged.

Case study: Impact data – Impact Cubed

During the year, our RI quantitative and reporting specialists, as well as investment team members, discussed the metrics used in impact reports for funds. Issues have sometimes arisen due to data estimations being used where an issuer has not published the relevant data for the reporting period required. RI professionals met with representatives from Impact Cubed to provide feedback to help improve our data feed services. As part of this, we agreed to share an anonymised example from another provider, to provide an idea of the industry best practice we would like Impact Cubed to match. Our conversations with the provider remain ongoing.

Case study: Real estate

To ensure the highest level of environmental stewardship is maintained in our directly managed properties, CTML maintains British Standards Institution (BSI) accreditation to ISO 14001 (environmental management systems). This is an internationally recognised standard under which we have developed a policy and several robust procedures to be followed on site by our internal and external building managers and their selected contractors. An external specialist consultant was engaged in 2018 to help develop these protocols and continues to implement annual checks of all sites in advance of the BSI sample audits, providing assurance that procedures are being followed and holding the property managers to account. In 2022 BSI's annual audit found no non-conformities, reinforcing the effectiveness of the approach. Expanding this to TAML, as part of the integration, is under discussion.

Our two UK listed property trusts are longstanding participants in the Carbon Disclosure Initiative. This was initiated in 2018 with a minimum level submission and in each subsequent year we have submitted to the full-tier climate module. We find the exercise a useful discipline in motivating our data collection, reporting and monitoring activities. In the latest submission we achieved B ratings for both trusts.

CHAPTER 8

Conflicts of Interest

We believe that effective active ownership is critical to the health of financial markets and contributes to long-term value creation. Accordingly, we aim to vote at all shareholder meetings where our clients authorise us to vote for them as part of our portfolio management services. We treat all our clients equally in our engagement and voting activities.

For all of 2022, CTML ran a separate conflicts of interest management processes for stewardship activities given the organisations remained legally separate, while steps toward integration continued. As part of this, we developed a new global **Conflicts of Interest Addendum for our new Proxy Voting Policy**, as well as a new global **Conflicts of Interest Addendum for our new Engagement Policy**, which went live in January 2023.

How we manage conflicts of interest to put the best interests of clients and beneficiaries first

All Columbia Threadneedle employees must comply with the company's Global Code of Ethics (Code). This requirement was extended to CTML employees in November 2022. The Code delineates a conflict of interest as any situation that presents an incentive to act other than in the best interest of a client or without objectivity. It identifies several specific obligations that flow from the duty to manage conflicts of interest, including:

- To act solely in the best interests of clients at all times
- To make full and fair disclosure of all material facts, particularly where the firm's interests may conflict with those of its clients
- To act in a manner which satisfies the fiduciary duty owed to clients
- To refrain from favouring the interest of a particular client over the interests of another client
- To keep all information about clients (including former clients) confidential, including identity, securities holdings information, and other non-public information
- To exercise a high degree of care to ensure that adequate and accurate representations and other information is presented appropriately

Carefully managing actual or perceived conflicts of interest affirms our commitment to acting in our clients' best long-term interest by putting their needs ahead of the firm or its employees. In addition, the Code requires employees to be vigilant in terms of identifying circumstances that may present a conflict of interest.

Specific policy requirements of individual employees to guard against actual or perceived conflicts of interest include rules restricting

personal trading, political contributions, gifts and entertainment, outside activities, and the possession of material non-public information. The Code is reviewed, attested, and certified by all employees quarterly.

Approach to the management of conflicts

As a result of certain aspects of our business, conflicts of interest may arise between our different clients and/or among us and our affiliates. Columbia Threadneedle must act solely in the best interests of its clients, including in situations where those interests may conflict with our own.

As conflicts of interest could undermine the integrity and professionalism of our business, we seek to identify any conflict situations as early as possible. Such conflicts might arise between:

- Columbia Threadneedle and affiliated companies within the wider Ameriprise Financial, Inc. Group
- Companies within Columbia Threadneedle
- Columbia Threadneedle and suppliers
- Columbia Threadneedle and client(s)
- Employees/agents/directors of Columbia Threadneedle and client(s)
- Columbia Threadneedle and employees
- Columbia Threadneedle and investee companies
- Client(s) and other client(s)

Where a conflict arises, we seek to mitigate and manage the conflict equitably and in the client's interest with appropriate systems and controls. The control framework and governance arrangements we have in place include policies and procedures, conflict registers, monitoring and reporting, governance committee meetings, staff training and 'whistleblowing' mechanisms.

In the normal course of business, we educate employees about conflicts and make them aware of our Conflicts of Interest Policy. We require all employees, contractors, and directors to report any new conflicts of interest they identify to their line manager for onward escalation.

In addition, a compliance programme is in place to identify, mitigate and, in some instances, prevent actual and potential conflicts of interest. Internal monitoring of the application of the Conflicts of Interest Policy, disciplinary action in the event of a failure to comply with the policy, and the regular provision of information to management, further support the control framework.

Where potential conflicts of interest arise, we adhere to the following approach and escalation procedure:

- As part of the Conflicts of Interest Policy, arrangements and procedures are maintained to monitor potential conflicts of interest.
- Where decisions involve the pragmatic application of, or a deviation from, our headline policy, this is documented, and the explanation and rationale recorded.
- Where issues require escalation:
  - This occurs initially to the relevant team heads or committee. Where required, the final arbiter is the relevant Global Head, Global Chief Investment Officer or another member of the relevant department's senior executive group; and
  - Our legal and compliance teams are consulted as appropriate.

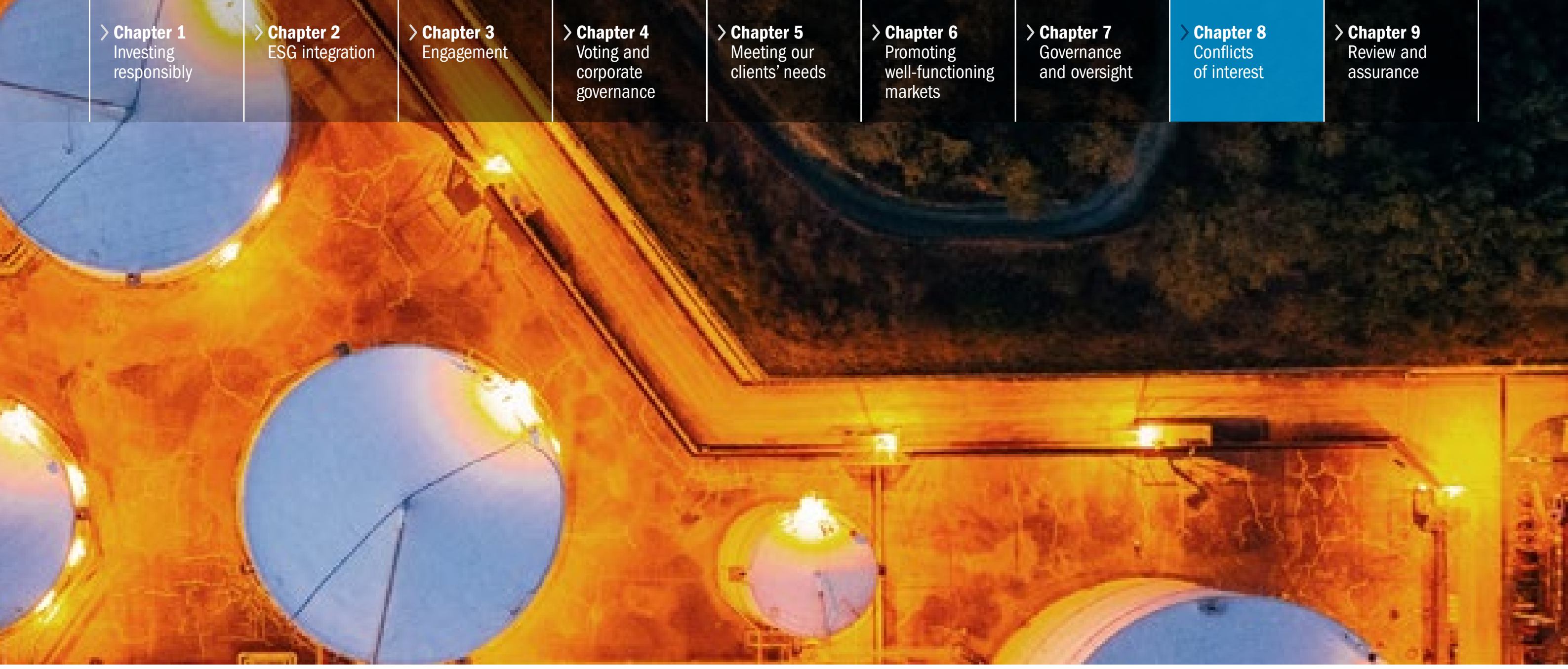
A summary of Columbia Threadneedle's Conflicts of Interest Policy for EMEA is available on our website **here**. As part of our integration work, this was applied to CTML in August 2022.

TAML's policy for managing conflicts of interest relating to stewardship activities in 2022

Conflicts of interest relating to proxy voting

During 2022, TAML had processes in place to identify and manage conflicts of interest relating to proxy voting practices, including:

- **Maintaining a conflicts of interest company watchlist.** Proxy voting experts received a list of companies that had an existing business relationship with us and could present a conflict of interest to the firm. The conflicts of interest watchlist was maintained by our compliance function and took into account, amongst other matters, whether the company was one of our clients, a distributor of our funds, a vendor that provided services to us, or a shareholder in our parent company Ameriprise Financial, Inc. The list was refreshed on a quarterly basis and typically included 155 companies.
- **Voting in accordance with custom policy templates.** We maintained custom voting policy templates which provided a benchmark for taking voting action in conflicted situations. Votes were cast by a third-party vendor, ISS, in accordance with our pre-determined voting guidelines. If a relevant guideline was subject to case-by-case determination, the proposal would be voted following a recommendation made by the third-party vendor. These practices kept voting at arm's length to avoid a voting decision being influenced by a conflict.



TAML evaluated the effectiveness of its proxy voting controls on an ongoing basis with a view to identifying ways to further strengthen them and ensure that a consistent approach was taken across the organisation.

Our portfolio managers in EMEA previously had discretion to override a voting decision that would ordinarily be made in accordance with the custom policy template when voting at a general meeting of a listed company on the conflicts of interest watchlist. Arrangements were in place to make sure that any voting overrides were in the clients' best interests. The portfolio manager was required to document the rationale for the override and have this decision independently reviewed by a member of the RI team. A report was presented to the Investment Management Committee each month attesting that the proxy voting was carried out in the best interests of the clients whose voting rights were being exercised.

In Q1 2022, the Investment Management Committee modified the ability for EMEA portfolio managers to have voting override discretion when an issuer is on our conflicts of interest watchlist. The decision to only have votes cast in accordance with pre-determined guidelines by a third-party vendor aligned with existing practices in North America and introduced a single higher standard to prevent conflicts of interest influencing voting decision made by TAML.

Conflicts of interest relating to engagement

During 2022, TAML operated a control framework to manage and prevent conflicts of interest that could arise where we engaged with an issuer (or a party acting on their behalf) on potential transactions, such as new issues or secondary placings, ahead of them being announced to the public as part of a market sounding. This market sounding framework involved a member of the compliance team undertaking an independent conflicts assessment to determine whether the investment team may participate in the engagement. As part of the conflicts assessment, consideration was given to whether any of our existing products managed by the various Columbia Threadneedle entities hold financial instruments of issuers linked to the transaction and could become subject to a trading restriction should we become privy to inside information from the engagement. Such a restriction would limit our ability to trade in a security that we hold until we are cleansed of the inside information, which may not be in the best interests of our clients. We could have therefore prohibited our investment team from participating in a market sounding engagement which could result in a restriction to an existing investment, unless the conflict could otherwise be managed.

Addressing conflicts of interest: market soundings

During the reporting period the compliance team reviewed and carried out a conflicts assessment for 52 potential market sounding engagements, of which the investment team participated in 38. One of the reasons why participation may have been denied was the existence of a conflict with existing investments which could not be managed in accordance with the clients' best interests.

The policy for managing conflicts of interest to stewardship activities in 2022 for CMIA was similar to the one of TAML. This report - unless stated otherwise - focuses on the the integration of our European entities.

CTML's policy for managing conflicts of interest relating to stewardship activities in 2022

While we ran separate conflicts of interest policies and processes relating to stewardship activities in 2022, CTML amended its policy in early 2022 to make reference to the acquisition by Ameriprise Financial, Inc.

The CTML Conflicts of Interest Policy for Active Ownership[18], including engagement and voting activities, outlined all potential and actual conflicts of interest identified and recorded. This enabled and required the management of any conflicts of interest and preventative measures taken in response to them to be monitored on a regular basis to ensure appropriate mitigation of the to our clients' interests. The EMEA Investment Committee (EIC) was responsible for overseeing this policy to ensure all

[18] No website link is available as this policy was replaced in 2023 by our new, integrated Active Ownership policy framework.

conflicts of interest were effectively addressed. The Compliance department, as well as, where applicable, investment fund boards or independent review committees, also periodically reviewed compliance with this policy.

How we determined how to engage or vote, conflict or otherwise

Our RI professionals worked alongside the portfolio management teams, undertaking engagement activities independently or collaboratively with them, as well as conducting proxy voting research and analysis.

Overall, during 2022 we followed our publicly available Expectations for Environmental Practices, Expectations for Social Practices and Corporate Governance Guidelines for determining how to engage on equities and corporate bonds, and vote the securities of companies in our client portfolios (including the investment funds we manage). In early 2023, these were replaced by our **Environmental and Social Practices Statement** and new **Corporate Governance Guidelines**, which are harmonised across the legal entities.

These documents set out what we expect of companies in terms of good ESG practices. We applied them to all client portfolios unless instructed otherwise by an institutional client. If an institutional client instructed us to engage or vote differently from our standard approach, we would engage on or vote their securities as specifically requested and continue to follow our standard approach for our other clients.

Potential conflicts of interest related to stewardship and our arrangements for managing them, should they have arisen:

Voting at a company meeting of Ameriprise Financial, Inc., or any of its subsidiaries, or voting at a company meeting relating to a corporate action (for example, a merger or acquisition) involving the company (or any of its affiliates) and a member of Ameriprise Financial, Inc.

- We had arrangements in place to manage this conflict by using ISS as our proxy voting administrator, to auto-execute all relevant votes in accordance with the ISS proxy voting policy. ISS executed votes without our further guidance, except where we had specific instructions from a client. This could have resulted, for example, in our votes not supporting specific resolutions at a company meeting of Ameriprise Financial, Inc.

Voting at meetings of investment funds CTML manages.

- During 2022, we voted in all instances in line with the recommendations of our proxy voting provider ISS at meetings at companies on our applicable conflict list. That includes – among others – companies where any CTML employees were officers or board members at the time of voting.

Engaging or voting at a company meeting where an officer, director or employee of Ameriprise Financial, Inc. served on the board of that company or was nominated for election.

- We had arrangements in place to manage this potential conflict by using policies specifically relating to employees with relationships with companies.

Engaging or voting at a company meeting where an officer, director or employee of Columbia Threadneedle Investment, and/or Ameriprise Financial, Inc., was nominated for election to the board of directors of a company.

- We had arrangements in place to manage this potential conflict by using ISS to auto-execute the vote in accordance with our standing voting directions without our further guidance.

Engaging with a company or voting on a matter at a company meeting with a potential outcome that would have favoured one of our clients over another.

- We had arrangements in place to manage this potential conflict, by treating all our clients' respective investment objectives and best interests equally. This could have resulted in us acting on a matter the same way or differently for different clients.

Voting at a company meeting where different portfolio managers prefer different voting outcomes.

- We had arrangements in place to manage this potential conflict of interest, by having an internal consultation process where portfolio managers advocated for their views through our Proxy Working Group (PWG) overseen by our EMEA Investment Committee. This internal consultation process would allow divergent views to be considered, whilst upholding the best interest of our clients.

Other conflict management tools in active ownership

Compliance and Data Protection Systems

We have strict firewalls to keep client holdings data confidential and secure, separating information on the holdings of clients with managed portfolios from that of our clients who subscribe only to our ***reo***® services and who have their holdings managed by a third-party asset manager.

Transparency and disclosure

We seek to uphold high standards in transparency and disclosure to enable clients and broader stakeholders to review our effectiveness in managing conflicts. Our regular reporting to clients during 2022 included our public voting record and our annual Stewardship Report. We also provided reporting to our clients on a more frequent and confidential basis – examples can be found in Chapter 5.

Addressing potential conflicts of interest in 2022

For CTML, there were no conflicts of interest identified in 2022.

[18] No website link is available as this policy was replaced in 2023 by our new, integrated Active Ownership policy framework.

The below represent potential conflicts of interest during 2022 specifically, and how we addressed these.

Engaging with a company or voting at a company meeting where the company was a client of, or had another type of business relationship with, Ameriprise Financial, Inc.

We treated all our clients equally in our engagement and voting activities during 2022, and did not alter our engagement or voting approach due to a business relationship that a company may have had with Ameriprise Financial, Inc. However, we have identified this as an opportunity to enhance our controls and will include this type of potential conflict in our review of our integrated Conflict of Interest addendums for the engagement and proxy voting policies in 2023.

Voting at a BMO meeting

While the acquisition of the business formerly known as BMO GAM (EMEA) by Ameriprise Financial, Inc. took place in November 2021, the BMO brand name was still used until July 2022. In order to manage the appearance of conflicts of interest arising from proxy voting activities linked to Bank of Montreal, the previous parent company of BMO GAM (EMEA), we decided to retain a number of controls. A key potential conflict of interest related to voting at the AGM of Bank of Montreal, and at the AGMs of BMO GAM's listed investment funds. We managed this potential conflict by continuing to maintain a register of those AGMs and implementing a process whereby RI analysts are precluded from altering the automated vote instruction.

Voting at meetings of investment funds BMO GAM manages

During 2022, we voted in all instances in line with the recommendations of CTML's proxy voting provider ISS at meetings at companies on our applicable conflict list.

Engagement or voting to favour one client over another

We followed client instructions in all instances where clients instructed to vote differently to our approach.

Conflicts of interest relating to engagement

In November 2021, CTML introduced the same process to manage and prevent conflicts of interest that may arise where we engage with an issuer on potential transactions ahead of them being announced to the public that is described above for TAML. Owing to CTML and TAML being on different trading platforms, the market sounding process was separately run, with the CTML Compliance team only undertaking a conflicts assessment to determine whether a portfolio manager for CTML may participate in the engagement. We are currently working towards the market sounding process being fully integrated for both legal entities.

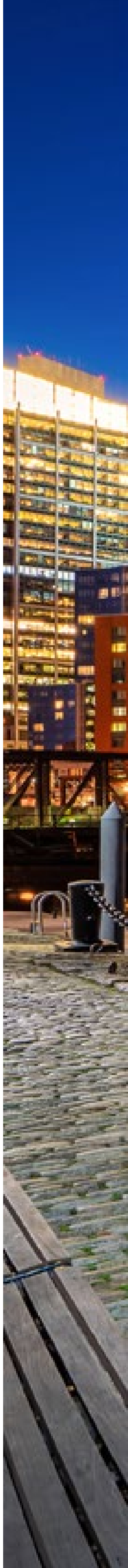
Addressing conflicts of interest: market soundings

During the reporting period, the Compliance team reviewed and carried out a conflicts assessment for 60 potential market sounding engagements, of which the Investment team participated in 47. One of the reasons why participation may have been denied included, amongst other reasons, the existence of a conflict with existing investments which could not be managed in accordance with the clients' best interests.

CHAPTER 9

Review and assurance

Oversight and responsibility of policy review



Our active ownership activities are supported by a breadth of policies on corporate governance, proxy voting, engagement, investment strategy-specific policies as well as respective addendums on how to manage potential conflicts of interest. These documents support and inform our engagement and voting activities on behalf of our clients.

During 2022, CTML and TAML followed a similar process for policy development and approval. All policies are drafted by RI professionals, who as the policy owners are responsible for the policy content and its communication, ensuring awareness as appropriate across the firm. When a new policy is created, or when a material change is made to an existing policy, content is submitted to relevant control functions for review, as well as senior management representatives from all impacted asset classes. All policies are reviewed on an annual basis. For substantial changes to existing policies or new material policies all regional governance committees are required to review and approve.

2022 updates to the active ownership policy scope

As part of the integration process and bringing two sets of policies from different entities together, a thorough review process took place that included legal, compliance, tax and finance, RI and active ownership teams, representatives from portfolio management, research, and communications as well as senior leaders across equities, fixed income, CIO, and research.

The integrated policy framework that was approved in 2022 includes the following:

- Corporate Governance Guidelines
- Proxy Voting Policy
- Responsible Investment Engagement Policy
- Environmental and Social Practices Statements
- Conflicts of Interest Addendum to Engagement Policy
- Conflicts of Interest Addendum to Proxy Voting Policy

We are working on additional policies to be harmonised for the integrated organisation, including the Responsible Investment Approach, and the Good Governance Policy. They will be implemented in the course of 2023.

Effectiveness of our activities

Columbia Threadneedle undertakes a comprehensive assessment of investment risk, return and risk-adjusted return across investment strategies, with oversight undertaken by appropriate governance forums. This assessment helps to fulfil our fiduciary responsibilities and protect our clients from unexpected volatility in investment performance.

In support of this work, our investment consultancy and oversight team undertakes an effectiveness review of strategies to assess their efficacy, strengths and weaknesses, and to support a dialogue of continuous improvement. The compliance team monitor and assist with active ownership-related matters (e.g. wall-crossing or concert party issues).

External assurance

Internal controls are maintained to ensure that proxy voting instructions are generated, recorded, and carried out accurately and in a timely manner. For CTML, we have controls in place to provide reasonable assurance regarding our proxy voting arrangements. The last period covered was 1 November 2021 – 31 October 2022. Tests were performed by KPMG LLP and no exceptions were noted in the Report on Internal Controls in accordance with ISAE 3402 and AAF 01/20.

Additionally, we worked with an external assurance provider to prepare for assurance retrospectively over key engagement and voting metrics from the BMO Global Asset Management 2021 Stewardship Report. We decided to take this approach to provide enhanced confidence in the quality and reliability of our data, and to learn from any recommendations received so that we can continue to develop our approach to RI and related reporting outputs going forward.

For this current 2022 Stewardship Report, we have prepared for assurance by KPMG LLP over key engagement and voting metrics for the legacy entities' 2022 activity. The signed opinion letter is on p98. We did this to again provide enhanced confidence in the quality and reliability of our data. Any learnings will be applied to our new, harmonised and integrated global active ownership processes and procedures, and we expect to continue to seek external assurance for future reporting outputs.

Additional internal and external controls, certifications, assurance

RI professionals have developed monthly monitoring of engagement activities, their impact and their frequency. Findings are discussed in a bi-monthly meeting of the active ownership analysts, and if necessary, results are escalated to responsible thematic or sector leads, or the team's Head. We believe this monitoring process helps to ensure better accuracy of our activities when we report these externally, help with continuous monitoring and improvement, and feed into any future external assurance activity. In addition, for CTML:

- **Fund mandate control:** To help ensure companies held in the Responsible and Sustainable Funds continue to meet our product and conduct-based exclusion criteria, RI professionals conduct ongoing monitoring of all held companies using a variety of internal and external systems and tools. In addition, each quarter we review – using MSCI ESG Research's screening tool – whether held companies continue to meet the criteria applicable to them and any involvement in recent severe controversies, including potential UN Global Compact breaches, that might indicate poor ESG practices and/or risk management. Issues are initially investigated by RI professionals to determine their validity and severity. Any issues deemed material are escalated to RI sector specialists, as well as to the relevant portfolio manager(s), before a final verdict is reached. If a genuine breach is identified, then a company is re-rated from "Acceptable" to "Unacceptable". For the Responsible funds, which have approved lists of issuers and securities coded into thinkFolio (a platform which supports pre-, intra- and post-trade compliance), the Investment Mandate Control team is always notified of any company rating changes. Across all Responsible and Sustainable funds, the portfolio managers must divest from an in-breach company as soon as reasonably practicable, with a 6-month upper limit for divestment. If a breach is not assessed as genuine but raises concerns about a company's ESG practices and/or risk management, then engagement to further evaluate and improve the management of the underlying issue(s) is the preferred course of action. Failure to respond to engagement would result in a company being re-rated as "Unacceptable".

A selection of our Responsible and Sustainable funds are certified by either FNG (for the DACH and Liechtenstein market) or by Febelfin's Towards Sustainability label. Each of the certification schemes have their own audit, which confirms alignment with the schemes' exclusion criteria and general process development.

Internal assurance

Following a dedicated RI audit in late 2021, our internal audit department has considered responsible investment within the scope of all investment desk audits completed in 2022. No significant (high risk) issues relating to RI have been raised in 2022.

Our internal audit department is also monitoring the actions arising from our 2021 RI audit and provides regular update on their status to relevant governance forums.

We believe we have robust processes in place to effectively review and update our policies. Given the extent of policy and regulatory changes taking place, we continue to monitor and enhance our stewardship and engagement approaches, ensuring they remain effective and fit for purpose. Additional disclosures on engagement policies and approaches will result from this, not least encompassing new disclosures that provide supporting transparency on the progress made in areas where engagement activities are undertaken (e.g. on Principal Adverse Impacts, as recently introduced by the European Union as part of its Sustainable Finance Disclosure Regulation (EU SFDR). In 2022 most of our policy and procedure work in active ownership focused on integrating the separate approaches pursued by TAML and CTML and creating new policies and processes that meet industry requirements.

Ensuring fair, balanced and understandable stewardship reporting

We have designed this report to be in line with the guidelines set out by the Financial Reporting Council and have reviewed peer reports, and industry best practice. We recognise that practices will evolve over time and are committed to continually improving our reporting to ensure enhanced readability. The information for this report has been sourced from multiple internal stakeholders in their respective areas of responsibility to check and verify the accuracy of data as at 31 December 2022. The content was reviewed by senior RI professionals, as well as members of legal and compliance teams to ensure the information is fair, balanced and not misleading. Our other RI publications also undergo a similar process.

Real estate investments governance and controls

ESG aspects within the real estate investment function operate within a clearly defined and robust governance structure. Reporting to the UK leadership team, the ESG Steering Group is responsible for developing appropriate frameworks and for recommending ESG strategy, associated policies, monitoring processes as well as setting performance indicators and targets. The ESG Steering Group is supported by specific groups that draw in technical, geographical and thought leadership aspects so that a balanced and practical approach to implementation can be determined. Each of these groups meet formally on a regular basis to determine and review actions under the direction of a designated chairperson.

The following three paragraphs provide examples of the external resources we draw upon to help develop and provide assurance for our ESG approaches in real estate.

Global Real Estate Sustainability Benchmark (GRESB)

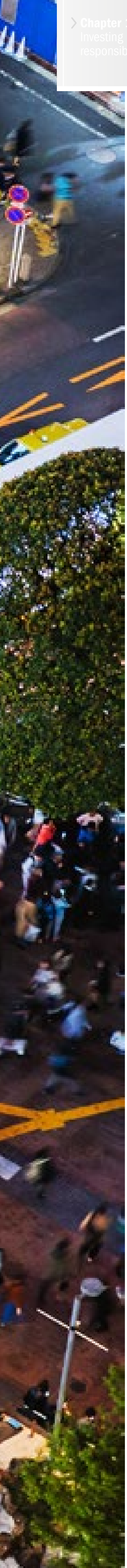
The GRESB benchmark serves the industry and its clients as a proxy for an entity's overall approach to ESG activity. Our real estate business has been participating in GRESB since 2015 and has progressively expanded the number of contributing entities. In 2022, eleven funds submitted to the survey. The resulting scores provide indication as to the maturity of a fund's effectiveness and a good basis from which to discuss performance trends and future ambition with relevant stakeholders. During 2022, TAML funds achieved one two-star, five three-star and one five-star, while CTML funds achieved three two-star and one one-star ratings.

Industry best practice recommendations

Our listed real estate trusts produce annual ESG reports written in accordance with the latest European Public Real Estate Association's (EPRA) sustainability Best Practices Recommendations (sBPR), which in turn are aligned principally with the Global Reporting Initiative (GRI) Standards. In 2022 these reports were awarded the EPRA certificate for achieving gold level compliance with the sBPR. This represents the highest level of transparency and disclosure against both proposed and optional ESG indicators. Non-listed funds are typically written in accordance with the latest European Association for Investors in Non-Listed Real Estate Vehicles (INREV) Sustainability Reporting Guidelines. All ESG reports, in addition to the recommended disclosures, contain strategy-specific goals and progress against these in the reporting year, as well as additional metrics on environmental risk so investors have full oversight of non-financial risks to the real estate portfolios. Core performance data is externally verified for added assurance. Highlights from these reports are also shared in each entity's Annual Report and Accounts.

Industry memberships

Columbia Threadneedle's real estate business is a member of the Better Buildings Partnership (BBP), a collaboration of the UK's leading commercial property owners and investment managers, who are working together to improve the sustainability of existing commercial building stock. We provide contribution and support on a number of thematic issues ranging from net zero carbon commitments, landlord and tenant relationships, embodied carbon, and coordination with other similar like-minded industry groups. Through this active participation, we can draw comfort that the approaches we frame and the activities we undertake are broadly reflective of the market and the consensus of like-minded practitioners, thereby providing informal assurance of sound approaches.



Appendices for stewardship codes

Appendix 1: The UK Stewardship Code

Discover how our 2022 stewardship approach, activities and outcomes align to the 12 principles of the UK Stewardship Code.

Principle	Description	Page(s)
1	Purpose, strategy and culture	4-9
2	Governance, resources and incentives	78-81
3	Conflicts of interest	86-91
4	Promoting well-functioning markets	60-77
5	Review and assurance	92-96
6	Client and beneficiary needs	52-58
7	Stewardship, investment and ESG integration	10-15
8	Monitoring managers and service providers	82-84
9	Engagement	16-34
10	Collaboration	35-38
11	Escalation	39-41
12	Exercising rights and responsibilities	42-51

Appendix 2: Principles for Responsible Institutional Investors – Japan's Stewardship Code

Discover how our 2022 stewardship approach, activities and outcomes align with the Principles for Responsible Institutional Investors (Japan's Stewardship Code).

Principle	Principle definition	Page(s)
1	Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	4-9
2	Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	86-91
3	Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	10-15
4	Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	16-41
5	Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	42-51
6	Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	57-58
7	To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	78-81; 69-76
8	Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.	N/A

Appendix 3: Stewardship Principles for Institutional Investors – Taiwan's Stewardship Code

Discover how our 2022 stewardship approach, activities and outcomes align with the Stewardship Principles for Institutional Investors (Taiwan's Stewardship Code).

Principle	Principle definition	Page(s)
1	Establish and disclose stewardship policies	4-9
2	Establish and disclose policies on managing conflicts of interest	86-91
3	Regularly monitor investee companies	10-15
4	Maintain an appropriate dialogue and interaction with investee companies	16-41
5	Establish and disclose clear voting policies and voting results	42-51
6	Periodically disclose the status of fulfilment of stewardship responsibilities	52-59; 92-95

Independent limited assurance report of KPMG LLP to Columbia Threadneedle Investments UK International Limited ("Columbia Threadneedle")

We were engaged by Columbia Threadneedle to report on the stewardship data in Appendix 1 and marked with an asterisk (*) ("the Selected Information") in Columbia Threadneedle's Stewardship Report ("the Report") for the year ended 31 December 2022 in the form of an independent limited assurance conclusion about proper preparation of the Selected Information, in all material respects, in accordance with Columbia Threadneedle's own Stewardship Methodology for reporting ("the Reporting Criteria").

This independent assurance report is made solely to Columbia Threadneedle in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Columbia Threadneedle those matters that we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than Columbia Threadneedle for our work, for this independent assurance report, or for the conclusions we have reached.

Responsibilities of the Directors

The Directors of Columbia Threadneedle are responsible for the proper preparation of the Report, and the Selected Information, information and statements contained therein, in accordance with the Reporting Criteria.

The Directors are responsible for developing the Reporting Criteria. The Directors have summarised the Reporting Criteria and their responsibilities on Columbia Threadneedle's website (Columbia Threadneedle Investments - Stewardship Reporting Process for Selected Information.pdf). The summary provides further information on: specific definitions; how data has been selected; and the calculation methodology.

It is the Directors' responsibility to develop, operate and maintain internal systems and processes relevant to the proper preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Responsibilities of KPMG LLP

Our responsibility is to independently express a limited assurance conclusion to Columbia Threadneedle, based on the procedures performed and evidence obtained, as to the proper preparation of the Selected Information, in all material respects, in accordance with the Reporting Criteria.

We conducted our work in accordance with International Standard on Assurance Engagements (UK) 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the Financial Reporting Council. That Standard requires that we obtain sufficient, appropriate evidence on which to base our conclusion.

We comply with the Institute of Chartered Accountants in England and Wales ("ICAEW") Code of Ethics, which includes independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics. We apply International Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Scope of work

A limited assurance engagement involves planning and performing procedures to obtain sufficient appropriate evidence to obtain a meaningful level of assurance over the Selected Information as a basis for our limited assurance conclusion. The procedures selected depend on our judgement, on our understanding of the Selected Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

The procedures performed included:

- Examining the Reporting Criteria and understanding key assumptions and limitations;
- Conducting interviews with management and other personnel at Columbia Threadneedle and its contractors, to understand the processes in place during the year ended 31 December 2022;
- Examining and testing of the systems and process in place to generate, aggregate and report the Selected Information, and assessing compliance with the Reporting Criteria;
- For samples of the Selected Information selected statistically, recalculations using the methods of calculation within the Reporting Criteria; and
- For samples of the Selected Information selected statistically, vouching of the base data to supporting documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Key assumptions and inherent limitations

The nature of non-financial information; the absence of a significant body of established practice on which to draw; and the methods and precision used to determine non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time. The Reporting Criteria has been developed to assist Columbia Threadneedle in preparing the Selected Information. As a result, the Selected Information may not be suitable for another purpose.
Columbia Threadneedle have set out the basis for determining whether there were tangible positive outcomes in policies or practices (as set out in section 2.1 of the Reporting Criteria), our work does not provide any assurance over this basis for determination. Our work also does not provide any assurance over the correlation between the holding's statement of positive intent and any actual outcome achieved.

Conclusion

Based on the procedures performed and evidence obtained, and subject to the key assumptions and inherent limitations set out above, nothing has come to our attention that causes us to believe that that the Selected Information in Appendix 1 and in the Report for the year ended 31 December 2022 is not properly prepared, in all material respects, in accordance with the Reporting Criteria.

KPMG LLP

KPMG LLP
Chartered Accountants
London
28 April 2023

The maintenance and integrity of Columbia Threadneedle's website is the responsibility of the Directors of Columbia Threadneedle; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information, Reporting Criteria or Report presented on Columbia Threadneedle's website since the date of our report.

KPMG

Appendix 1

Selected Information for the year ended 31 December 2022:

Identifier	KPI	Unit of measure	Unit
1a (B Pillar)	Total engagements	Engagements	1,962
1b (B Pillar)	Issuers engaged	Issuers	933
1c (B Pillar)	Countries covered	Countries	49
2 (B Pillar)	Milestones	Milestones	288
3a (B Pillar)	Total meetings voted	Meetings voted	11,686
3b (B Pillar)	Total proposals voted	Resolutions voted	116,542
3c (B Pillar)	Votes against management	Percentage of votes against management	20%
4a (C Pillar)	Total interactions	Interactions	9,329
4b (C Pillar)	Issuers interacted	Issuers	3,462
4c (C Pillar)	ESG dedicated engagements	Engagements	87
5a (C Pillar)	Total meetings voted	Meetings voted	6,610
5b (C Pillar)	Total proposals voted	Resolutions voted	68,420
5c (C Pillar)	Votes against management	Percentage of votes against management	12%

Contact us

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To find out more visit **columbiathreadneedle.com**

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